

NZ-Iran trade will pick up after 'hiccup'

by John Draper
A BIG hiccup — that's the expected effect Ayatollah Khomeini's Islamic Republic will have on New Zealand trade with Iran.

But in the short term, the impact will be drastic. Potential most sales valued at around \$45 million have almost certainly been lost, and wool and dairy products worth another \$30 million are in jeopardy.

The outlook, though, is brightening. Despite the stringent demands the Islamic regime is imposing, Iran's rapidly-growing population still has to eat. And New Zealand can expect to remain among its suppliers.

Reports coming from Teheran indicate that the country is rapidly returning to normal after a four month general strike against the Shah's rule linking Iran to the brink of civil war.

A huge backlog in the Gulf ports is clearing, and already the first shipment of Iranian oil since the new regime has taken over has left for Japan —

at 50 per cent above the old OPEC price. Wool merchants are receiving encouraging signs from their Iranian agents, and sales might soon be renewed, once banking and shipping services start operating again.

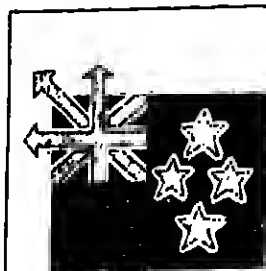
Pronouncements by the Ayatollah suggesting that it is against Allah's will to eat frozen meat are now thought to be a misquote. Afghanistan and Turkey — even with support from Australia — would not be able to provide more than a fraction of the 120,000 tonnes of fresh meat needed.

New Zealand Meat Exporters' Council chairman Ron Cushen dismisses suggestions that New Zealand might export live lambs to Iran.

"The unions are not likely to allow it, and logistically it is not feasible," he said.

"We are already satisfying the specifications of 30 different markets, and I am sure we can meet those demanded by Iran once we know what they are."

In six years, Iran has



OVERSEAS TRADE

developed into New Zealand's second-largest customer for lamb. And while the Shah was in control, growth was confidently predicted at 10 per cent a year.

A few Muslim butchers are employed by freezing companies to make up small export orders for countries demanding killing in the Islamic style — slitting the jugular vein, while a prayer is quickly recited three times. Up to 200 Muslim slaughtermen might be needed to fulfil the potential Iranian

demand. But if the Ayatollah interpretation of Islamic law does ban frozen meat, New Zealand is unlikely to send it chilled.

Iran's temporary demise is not a disaster for meat exporters. Orders were not expected before the second quarter of 1979. Demand for lamb is strengthening, with the United Kingdom market picking up after a sluggish start, as well as interest from Greece and Italy. Two new markets are also in prospect, Tunisia and Mexico, with an order for 3000 tonnes likely to be signed very soon.

Russia's 45,000 tonne-mutton purchase, along with strong interest from Japan and South Korea, has left the freezing works calling for more sheep to kill, while American demand for beef is ensuring good prices.

The Dairy Board is also optimistic about the Iranian market. It regards the present problems as no more than the "normal ups and downs on the market place."

But the board's \$20 million



AYATOLLAH KHOMEINI... misquoted?

sales target for 1979 is now no more than wishful thinking. Last year, sales for milk solids, butter and cheese reached \$15 million. The board expects demand to remain strong, no matter what government is in power in Teheran.

While Gulf ports were clogged by ships waiting for striking dock workers to return, alternative routes through Turkey were already being investigated.

Wool exports worth \$20 million destined for the machine carpet industry around Teheran are by no means certain, despite encouraging reports by local agents.

Well-informed sources say they doubt if a quarter of Teheran factories closed for four months by the general strike will ever reopen again.

"The key to Iran's future as a New Zealand export market is



RON CUSHEN... live-lamb exports.

not so much the stringency of the Ayatollah's Government but the revival of banking and shipping services.

Banking virtually ceased, leaving more than \$5 billion of credit and within the system. But banks reopen, a stronger foreign exchange is expected, and the country's economy, strong, standing at a small billion.

New Zealand manufacturers may be the hardest hit by the Ayatollah's overtures. Construction and engineering firms were on the up winning big orders before unrest forced negotiations to be cancelled.

The Ayatollah's regime is widely expected to impose a policy of austerity on Iranian people, but it will remain the core of the economy.

US market demand hard-sell approach

by John Draper

CORNELL cutting manufacturers trying to break into the United States market on the cheap are missing out on exports worth millions.

New Zealand products can compete but need the sophisticated American hard-sell to get them on the market, according to Paul Mariani who is delivering a nationwide seminar series to businessmen.

More products have failed to gain a foothold on the American market because manufacturers have tried to bypass middlemen, agents and distributors who can win a big order with a telephone call, than for any other reason, Mariani says.

High fashion clothing and costume jewellery producers fighting for a niche in the very competitive market have failed miserably, he said.

One New Zealand company tried to sell horse blankets in the cheap and still has 4000 in a Denver warehouse unsold after seven years. The company redesigned the blanket, found an American distributor and is now taking big orders for an acceptable product, he said.

Buyers from large stores are not interested where the goods come from, but only in what price it comes through their delivery bay.

For the consumer, "Made in New Zealand" is a big selling point and adds a romantic touch, Mariani said.

Mariani's main job is to promote San Jose Foreign Trade Zone to which gives overseas companies a tax and quota free haven within the United States. Products can be assembled, packaged and even manufactured, and therefore qualify for the "Made in USA" stamp.

For the New Zealand Board the zone may become the back door to quotas on beef and wool.

Heed turned into healthy profits inside the zone becomes a US made policy free from quotas and duty, only to local taxes. About 1000 importers are placed in the zone within the next few months.

A five million gallon farm for edible liquid is planned in the zone and will be the cool store and warehouse for produce and factory space.

The zone, which is in its third year, is already handling merchandise worth \$10 million a year and is expected to handle \$100 million overseas manufacturers overall savings over exporting ranging from 10 to 12 per cent — "leaving money for promotion".

The zone's management offers services to exporters covering initial enquiries through to delivery, transport and documentation.

Savannah New Zealand companies are also involved in the zone for products, furniture and electronic lifting equipment.

Mariani advises New Zealand manufacturers to be put off by the high costs in San Jose. The zone is among the highest in America. The extra productivity more than compensates for the wages, he says.

Commercial and Industrial Selling — Learning Phone 726-200 Wellington harcourts

BP stocks high but 'sisters' may run dry

by John Draper

JUST after Easter, a petrol station somewhere will run dry. But it won't be BP's — an irony that is unlikely to be appreciated by the motorists who find the sold-out sign first.

By Easter Monday, petrol stocks at port depots are expected to be 11 days, well below the minimum needed to guarantee supplies to every service station.

Total stocks would have dropped below the desired 60-day average around Easter anyway, following the closure at Marsden Point for maintenance during February.

But the cancellation of two tanker loads of naphtha — the important ingredient in petrol — has induced the crisis.

The Government refused to pay the high spot price on milk offered by BP, and Shell was unable to supply at a lower price.

BP's motoring customers are likely to be assured of petrol supplies in the immediate future.

Nominally Shell, Caltex, BP and Mobil retain ownership of the crude oil they supply in Marsden Point for refining. BP was fortunate in getting a tanker into the refinery as striking Muslim oil workers shut off supplies in Iran. But it

is BP's dependence on Iranian supplies providing up to 40 per cent of New Zealand's needs that has brought on the present shortage.

Beyond Easter petrol stocks around the country are expected to climb. But the crisis will not be over.

BP has little surplus oil it can supply and the Government is refusing to pay expensive spot prices.

But in London, BP International has already decided that associated companies, including BP New Zealand, will get priority next year.

Surplus oil is normally sold on yearly contracts but they will not be renewed. This will release around 60 million tonnes of crude.

Until then BP New Zealand will try to maintain supplies by specially negotiated purchases similar to the 50,000 tonnes bought from Kuwait at slightly less than \$16 a barrel and nearly \$2 above the OPEC price.

But BP Australia is reported to have negotiated contracts with Kuwait, Indonesia and Malaysia to make up the 5 per cent shortage it caused across the Tasman.

Australia's 5 per cent equals half the quantity BP was supplying New Zealand.

A company spokesman in Wellington said New Zealand

could also probably be catered for, if it was prepared to pay the higher price.

Meanwhile the Government has directed the Electricity Department to burn Kapuni gas in four power stations to boost condensate production by 300,000 barrels in the next six months.

Condensate made up 14 per cent of the refinery's feedstock last year but the increase will add only another 1½ per cent to the cost of spilling South Island hydro lakes.

Roxburgh and Manapouri have already been spilled but the Electricity Department says that would have happened anyway.

The Cook Strait cable was fully loaded at the time of the spills caused by high storage levels for this time of year, the first time for four years.

But the risk of future spills has increased with lakes being maintained at high levels.

Marsden Point has been working at up to 60 per cent above design capacity and is still supplying only two-thirds of New Zealand's petrol needs. Plans to extend the refinery, a small and simple one, have been around since 1968 when the cost was estimated at \$64 million.

Now with the Government and the oil companies still haggling over financing the expansion the cost is more than \$330 million.

The expansion will allow the refinery to supply all the country's petrol needs as well as a range of other products, such as avgas, which could be the next fuel to be in short supply.

Supplies for Air New Zealand and other airlines are now imported from Australia. Maui gas is due on stream in May, but apart from the Huntley power station there are no other users until the Government approves the construction of a pipeline from the power station to Auckland.

The cost is expected to be at least \$20 million and if approval is given soon it could be built within two years.

Another pipeline under consideration is for oil from Marsden Point to Auckland. Again, the plans have been around for several years. Former Trade and Industry Minister Warren Freer claims they were on the verge of being approved when the party was ousted from office in 1976.

Energy planners are carefully studying ways of turning Maui gas into petrol at a cost estimated to be between \$1000 and \$2000 million.

OPEC's special meeting on Monday this week should have helped make the decision clearer.

40 cents

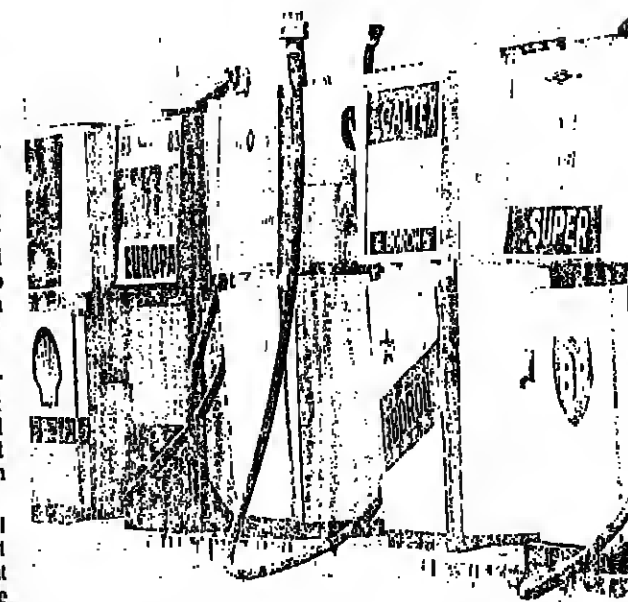
Volume 9 No 10 (Issue 327) March 28, 1979

INSIDE

COLIN JAMES says the time may be coming for more innovative ways of pruning health service costs than "1 per cent off the top", as George Gair has suggested — Page 2.

PETER O'BRIEN advocates a new rule for the Stock Exchange Association at a time when substantial parcels of shares, sometimes transferring effective control of companies, are taking place off market — Page 8.

WHILE Australia (70 per cent self-sufficient in oil) has stepped up its oil search, New Zealand (more severely affected by the oil crisis than other IEA members) is not even in the hunt — Page 22.



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John Draper



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Truckies in revolt

by John Draper

TRUCK owners and their national association seem set for a head-on collision over the 20 per cent increase in the road user charge.

Angry owners in Wellington and parts of Auckland are threatening to take their vehicles off the road from April 1 rather than pay the increase which put \$44 million into the Government's coffers last year.

But the Road Transport Association says its members are lucky the increase, the maximum the law allows, was not 40 per cent.

It calculates the Government will need \$82 million from the heavy transport industry in the next financial year to finance the Roads Board, \$8 million more than the \$53 million it will get from road user charges.

The association argues it is of little concern to the truck owner as the charge can be passed straight on to the customer.

The 20 per cent increase will add 1 per cent to city haulage rates and an estimated 1.4 per cent to rural rates.

But many truck owners are not happy. Ken Hammond, of Upper Hutt, is leading the protest in the Wellington region.

Already many customers thinking freight rates will also go up 20 per cent are buying their own light vehicles, he says. And hauliers are switching to lighter vehicles to avoid the tax.

"In dollar terms, 20 per cent is not very much to us but fuel will be going up this year, insurance as a result of new legislation raising liability from \$40 to \$500 a package will be up and increasing depot fees will mean a lot more than one per cent on rates."

Loads were already scarce and rising rates would make them even harder to come by, he said.

The change to a mileage-tonnage related fuel tax has raised carriers' costs by a third, Hammond estimates.

The Road Transport Association, which admits its communications with its 4000 members are not always perfect, is urging a Government working party to modify the administration of the charges.

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Hamstrung surgeon brandishes the scalpel

by Colin James

GEORGE Gair is one of Cabinet's most articulate ministers. Since he is a former PR man, that is not surprising. He is also good at projecting compassion. The abortion debates of the past few years have given him the image of a liberal with a social conscience.

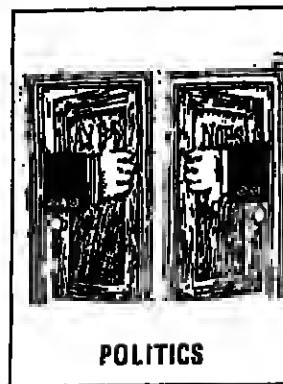
He has too, some reputation as an able administrator.

These three factors made him a logical candidate for the health and social welfare portfolios.

(I shall pass over a possible fourth factor: that with tough times ahead, big-spending departments in need of pruning are not a bad place to bury a potential leadership rival's specialty if you doubt that his administrative ability matches his reputation.)

Gair is energetic. Everywhere he has left behind an impression of activity, sometimes frenetic activity.

We can expect the same in his new field. The activity is beginning to surface as eiga-



POLITICS

posted earlier this month when he delivered a series of background speeches.

Basically they said: "The internal deficit is too high. Health and social welfare account for about a third of Government spending. If the deficit is to be cut, the cost of health and social welfare must be cut."

Most people took this to mean "health and social welfare spending must be cut". Visions of poised axes were conjured up and seemed justified by the fate of

charitable private hospitals being squeezed between rising costs and insufficient State subsidies.

Gair had tried to head off such criticism. He put the accent on efficiency.

Having announced that hospital boards would get next year as much as they would normally have got, minus 1 per cent, he urged them to find the 1 per cent by improving efficiency rather than cutting services.

Vast increases in "financial inputs" had not been matched by corresponding improvements in New Zealanders' "health status".

"If we were to conduct a careful examination of our operations to ensure they are working in an efficient and businesslike manner, I believe we might find that we could even expand our services within the current levels of expenditure," he told the boards.

"I cannot conceive that anything we do — and I hasten to include myself — cannot be done at least 1 per cent better."



GEORGE GAIR... calls for 1 per cent efficiency rise

His optimism is to be marvelled at. It was, after all, his Cabinet pruning committee which aimed at increased efficiency by imposing the "sinking lid" on department's staff levels.

The theory has not been matched with practice. In many cases, either the standard of service has dropped, or "temporary" staff have been taken on to do the work of those

pushed over the edge of the pot by the sinking lid.

There is an compelling reason to believe the hospital boards, which have not been noted for their management skills, will do any better. More likely, waiting lists will get longer.

In some cases, no doubt, the boards will simply overstep their allocations, as some have done this year. They are not directly accountable to the taxpayer for the money they spend and if they choose to give higher priority to discharging their health service duties than to meeting budgetary restrictions, it is hard to fault them on moral grounds.

In any case, as Gair himself implicitly pointed out, they are limited in their room to manoeuvre by the fact that wages and salaries take up 75 per cent of their spending.

The usual cry from hospitals now is that they are understaffed already. One can take from this that the hospitals probably do not consider a 1 per cent staffing cut really feasible.

But Gair has laid it on the line to them. If savings are not made, something will have to give.

"We are fast approaching the stage where, if the burden becomes any greater", he told the Takapuna and Devonport Rotary Clubs, "it will place quite unacceptable strains on the country's financial health and therefore the community's overall wellbeing — indeed, the same community the welfare spending was designed to help."

There is wide agreement on that. It is such sentiments that have given rise to a wave of anti-tax feeling in the United States.

There is even some agreement from the other side of the political fence. Roger Douglas thinks social spending is unsustainable at its present growth rate.

But Gair is tripped by party commitments. He cannot touch national superannuation, which, in an estimated \$833 million net out of \$1600 million net distributed in benefits this year, offers the largest single target to a potential axe.

National superannuation is costing — on Gair's own estimates — \$242 million more this year than the former mid ago benefit and universal superannuation would have cost if still in operation.

That \$242 million has to

come from somewhere. It may well be that its extraction from family budgets is helping to keep huge numbers of children "poor" by New Zealand standards.

That is, they are below what has been dubbed the "poisoned datum line" — a generally agreed measure of minimum acceptable standards of living.

Economist Brian Easton found in 1975 that a higher percentage of children — 2 per cent, or 250,000 — were below this line than people over 60 (20 per cent, or 75,000 people). Some 20 per cent of the children's parents — 170,000 people — were also below the line.

If anything, since national superannuation came in, this picture has got worse.

Still, there is surely something to be said for the Government's intransigence on national superannuation. No one wants to see the bread taken from the mouths of those old people who depend on it.

So Gair has lighted on health for his savings, with the probable consequence the public hospital services will get slightly worse. This is tough on the less-well-off, who cannot afford private hospitals.

But is Gair as limited in scope for pruning as he seems to believe?

He belongs to a party that says it favours private enterprise and competition. Given that starting point, it is at least arguable that competition in health care might improve its efficiency.

What about competition tendering for hospital management? Or State-owned vouchers redeemable at any hospital, public or private? Why not try accountability to consumers not to taxpayers?

No doubt a torrent of arguments can be raised — perhaps by some readers — against such an approach. I have doubts of my own.

But liberal George Gair believes in adequate health care for all. He also recognises that shortage of resources is threatening that. The time may be coming for more innovative thinking than "1 per cent off the top".

Is Gair with the nice smile, the fashionable social contacts, the private enterprise science, the private enterprise background capable of it? Or will Bob Tizard remain the most innovative health minister of the decade?

Import licensing puts the brakes on cycle sales

by Belinda Gillespie

WANT to buy a bike to beat the petrol ban? You may have to wait till Christmas.

The 10-speed tourer, whose popularity has made the conventional cruiser almost obsolete, is in short supply because local manufacturers can't keep up with the demand, and licences to import Japanese bikes are scarce.

John Egan, of the Department of Trade and Industry, argues that the events in Iran which precipitated the current demand were unforeseeable.

The department is carrying out a survey with a view to granting interim licences to import bikes in the period of "shortfall".

Before the oil crisis, there had been a satisfactory situation where local manufacturers — A G Healing and Co Ltd and Morrison Industries Ltd — met the demand, or most of it. Thus there had been no recent increase in the number of import licences granted.

If the survey confirms that there is a significant shortfall the findings will be the basis for further action by the department.

But Egan said he was unwilling to "jump the gun" and disclose exactly what the department would do or how long it would take.

Ninety per cent of bikes are made locally, Egan said. The other 10 per cent are imported under licence.

He claimed he couldn't give details of actual numbers of bikes imported without disclosing information confidential to local industry.

Scientists rate the cyclist as number one for energy efficiency among moving creatures and machines. The bicycle — which makes small demand on material or energy resources, contributes little to pollution, makes a positive contribution to health and causes little death or injury — has been called "the most benevolent of machines".

The anomalies of policies which discourage the public from using petrol, yet readily

allow the purchase of expensive, gas-guzzling, energy inefficient imported cars, and inhibit purchase of Japanese bicycles, are obvious.

Cycle retailers and wholesalers say the demand for bikes has been growing steadily over the last two years, and has only been accelerated by the petrol crisis.

They doubt that a survey is necessary to establish demand.

But it is difficult to gauge the size of the demand accurately when most suppliers are out of stock. The same potential purchasers shopping around can give an illusion of a greater lack than might exist.

Paul Wallace, of Blue Bird Cycles, in Petone, says demand for the 10-speed tourer exceeds supply by almost four times.

He claims the two local manufacturers are over-protected by import licensing. More competition from imported bikes might step up the supply and make it less erratic, he argues. But quality and price of the New Zealand-made bikes is good.

Licensing protects the local manufacturers on the standard 22-inch frame size. But the cycling craze has meant increasing requests for sizes outside that.

Healings and Morrisons can't cope with the needs of the market for a multiplicity of sizes, retailers say, and licences in these areas particularly should be relaxed.

Buying a woman's touring cycle, for example, is "out of the question". Yet the trend to cycling includes an ever-increasing proportion of adults — women among them.

The bureaucrats who grant licences considered frame size unimportant, one retailer claimed. "But you can't just put the seat up. The right balance is all-important," he said.

Another said the situation was hopeless, especially for North Island retailers.

Healings, his main supplier, manufactures in Christchurch, and the bikes already in short supply are further subject to ferry delays.

Graham Turney, secretary of the New Zealand Automotiva and Cycle Association, put the wholesaler's point of view.

Local manufacturers hadn't caught up with the demand for the new, sophisticated 10-speed bike which had grown in the last four years, particularly for supplying a full range of sizes and styles, he said. Both manufacturers were concentrating on, say, one model each, but there was considerable demand outside that, and importers would like more licences for different styles and sizes.

Turney said that some years ago — when Morrisons had been given sanction to make bikes — wholesalers had surrendered their licences on the understanding locally made bikes would be redistributed through them.

They had been left with minimal licences for what Morrisons didn't make, and these were never enough.

The problems were largely the economic difficulties of supplying a small market. Neither manufacturer had the

production capacity to meet normal market variations, and New Zealand wasn't big enough to sustain an industry sufficiently sophisticated to satisfy all segments.

The problem had been aggravated recently. Licences for parts are also in short supply. Two years ago, Mervyn Jones (of Jones Bros Ltd in Lower Hutt) exchanged his bicycle licences for licences to import ski goggles and cycle parts. He is now trying to swap them back again.

The rising popularity of the 10-speed bike — 3600 were counted in use in a recent Massey University survey — has brought a "terrific" demand for parts.

Some increases in licences have been granted, but these haven't kept up with inflation. Trade and Industry was unaware of the demand for parts, Jones said. The new type of bike had many more "bits and pieces" which wore out relatively quickly.

The locally made bike used many imported components too, and with about 400 cycle

dealers in the country requiring a basic stock of parts, licences were out of gear with the situation.

Auckland-based A G Healing and Co Ltd is both importer and a manufacturer of bicycles.

General manager H Christensen said he didn't see a need for more licences, even on an interim basis.

Back in 1973, Warren Freer (then Minister of Trade and Industry), had allowed a "flood of bikes" into the country, which brought considerable problems, he said.

The high profit margin on cheap Taiwanese and Korean bikes made every importer keen to get in on the act, but "junk" bikes with odd parts couldn't be serviced.

Christensen admitted the current shortage, and said April would probably be difficult, but he anticipated that his company would have a surplus of its own product by the end of May.

Even if extra licences were granted now, it would be at

least four months before any imports arrived. And by then, the demand might have disappeared.

Christensen urged "patience" and suggested that now would be an inappropriate time for allowing extra imports.

He denied there is much demand outside the standard range.

Healings had increased production this financial year by 100 per cent and exceeded its planned budget by 50 per cent. The big demand, he suggested, would drop when the wet weather started.

But Mervyn Jones said that in the past, demand for bikes had virtually ceased after the return to school in February. A number of retailers anticipated the demand continuing throughout the year.

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ONE MAN'S ANSWER

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An Open Letter to all SENIOR EXECUTIVES

PETROLEUM CONSERVATION

New Zealand's stocks of petroleum products — petrol, diesel and fuel oil — are low and it is impossible to forecast any short-term alleviation of the problem. This being the case, common prudence demands that action be taken NOW to conserve the limited reserve we have on hand. The government's overall target for savings is 7%.

The Government has already taken steps to restrain demand for petrol by 10 per cent in the motorist sector, both through mandatory controls and voluntary conservation. Whilst research shows that 66 per cent of all private motorists are already acting to conserve petrol, the position is being monitored daily. Further, and firmer, mandatory measures will be implemented if these become necessary.

To avoid any disruption in the business area, arbitrary restraints which might tend to affect productivity or employment have, until now, been discounted. But I am only too well aware, as you must be, that there are opportunities in every business for voluntary petrol conservation. These economies need not cause disruption, but would make a meaningful contribution to our conservation campaign. I have requested that the passenger and freight transport sector uses its best endeavours to save 7%, and industry 5%.

Reports have reached my office from many organisations detailing positive steps taken to conserve petrol, diesel and fuel oil. If you have not yet taken action I am asking each of you personally to take stock of your organisation's use of all petroleum products and then to issue instructions to reduce usage so far as is commercially possible, without adversely affecting the efficient operation of your enterprise.

Yours sincerely,
W. B. Birch,
Minister of Energy.

EDITORIAL

EARLY this month, the Prime Minister declared that the Government proposed to change its overseas investment policies because "to maintain, or indeed improve, our position in the world, we require more overseas investment in those fields which are technologically complex". We were not about to tell our country, ha, ha, ha, but we were about to buy "for a reasonable return" the technological expertise which was essential for New Zealand to properly develop "the resources which we have in such abundance".

Depending on the extent to which the Government plans to surrender New Zealand sovereignty over these resources, of course, the announcement was to be welcomed. Appropriate development projects, using overseas investment and technological know-how, is an attractive alternative to overseas borrowing and can make an important contribution to providing jobs and exportable products.

But just what the Government had in mind seems more problematical when Deputy Prime Minister Talbot told the Auckland Chamber of Commerce the Government had formed a new foreign investment policy. Nor did it plan to change existing regulations or new legislation, he said. Rather, it was pointing out investment opportunities.

That statement coincided with the visit by West German businessmen interested in assessing our economic and industrial potential. But any offer of Munt gas and cheap electricity at a time when power charges have been hiked some 50 per cent while water rates over the top of our dams and the Government ploughs ahead with the Clutha project, was bound to spark controversy — especially while details remain secret. This climate of mystery demands protests to the Government, rather than to the visitors, and shouts of "sieg heil" were boorishly inappropriate.

According to one of the visitors, placards warning against more Comalco deals were torn out of them because they did not know what Comalco meant. The protesters no doubt were drawing attention to a previous secret deal, but maybe they did the West Germans a good turn. They focused on Government's dubious record of negotiating a contract, then breaking the resultant bargain when events showed the foreign investor had got the better of the deal.

Besides learning of inducements to Comalco, the visitors may have noted that a joint venture involving West German investment had been jeopardised in Bluff (just across the harbour from where Comalco sited its smelter).

A demarcation dispute had erupted when watersiders insisted they should unload fishing boats. But the success of the joint venture hinges on costs being kept down to allow the fish to be sold competitively overseas. For that reason, the company had secured an agreement with the watersiders to allow fishermen and processors to do the unloading. That bargain had been broken.

But there are bargains — and bargains. Thus the New Zealand businessmen who belong to Rotary presumably are taking some satisfaction from the fact their organisation invoked a contract entered into by a West German schoolgirl. She breached her undertaking to avoid romantic attachments while studying here — a breach viewed so seriously that Rotary brought the Government into the affair. And our earnest immigration Under-secretary Malcolm personally ordered the lass from the country (without allowing her to state her case, without showing interest in determining the truth of conflicting claims about her behaviour, and with the threat that anyone advising or assisting her to "overstay" her cancelled visa would also be breaking the law).

The Germans must be wondering about a country where the top two Ministers publicly express differing views about the nature of our investment policy, and where a certain civility pertains to business deals but siffars of the heart invite state intervention. Pity. We probably need the West Germans more than they need us.

Bob Edlin

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AS Export Year draws to a close, the Trade Promotion Council is inviting applications for this year's export awards.

The award scheme began in 1965 to recognise companies and individuals who made valuable contributions to the national economy — and just look at our balance of payments figures over recent years to see that any contribution is valuable — through export achievements.

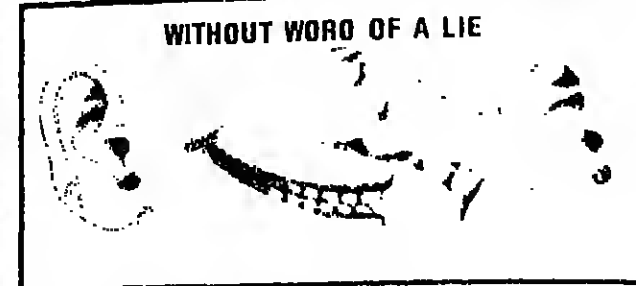
For those who enjoy that sort of thing, the awards are presented personally by a Cabinet Minister, and there are the spin-off benefits of publicity being generated for a winning company's products and activities, both here and abroad. Oh, and there's a wall plaque, plus entitlement to use the Export Award symbol on a winning company's products, company stationery and promotional and publicity material. And an Export Award is a pre-requisite for the Governor-General's Export Award.

Publicity from the Trade Promotion Council tells us that more than 100 companies "have shown ingenuity and resourcefulness in winning overseas sales against tough competition," to win awards. "Many have done so through innovative marketing and packaging techniques, by adapting their products to specific export markets, or by developing new products for exports."

Some firms have won the award for selling technical skills and expertise to other nations, and organisations which make significant contributions to the expansion of New Zealand exports in fields — such as banking, finance, transport, market research and packaging — also qualify.

So if you reckon your company can demonstrate outstanding export achievement during a period of at least three years — well, be in.

Applications close April 30. For our part, we rather fancy the chances of the Government itself as an award winner — for the mass export of skilled New Zealanders over



the last few years (with a resultant and welcome casting of demand for houses as a bonus, as the PM told us last week).

FROM a seminar on "Alcohol problems in industry": "Why did he die?" one woman asked the other as they watched the coffin being lowered into the ground. "Drink," replied her friend. "But why didn't he join Alcoholics Anonymous?" "Oh — he wasn't that bad."

THE New Zealand Travel Association seems to have resigned itself to living with the ill-advised travel tax, which readers of this paper know is almost certainly cooling the country more than the \$13.7 million it raised for the Government in the year to March 31, 1978.

The tax is costing New Zealand thousands of dollars a week, reckoned in terms of lost business and lost commissions on onward fares that would normally have been sold on behalf of other airlines. And travel agents have seen their returns falling as the tendency grows for New Zealanders embarking on overseas trips to buy one-way travel only.

The clear implication is that many are avoiding the tax by buying their return and other travel overseas, using their credit cards, overseas funds to which they have access, or spending a portion of the travel funds they can claim automatically through the ordinary banking system.

But a recent New Zealand National Travel Association newsletter released under the

name of chief executive A. R. Stanford, while recognising that the tax "has proved totally ineffective in dampening down the demand for overseas travel", goes on:

"However, the industry must be realistic in appreciating that any tax, no matter whether it is effective in its primary purpose or not, once received into the Consolidated Fund is extremely difficult to have removed."

The newsletter suggests that apart from draconian measures which would be unacceptable in New Zealand, "the only effective way to change the balance between the travel payments and travel receipts is through deviation, but this is hardly likely to be decided on solely on the basis of the balance of travel."

THINKERS aside, hope really does spring eternal. There is no better example of this than the rash of hop-bid talk about hop-bid-throughs, particularly with the rationalisation of industry, at the upcoming and annual round of NAFTA ministerial meetings.

This has been all heard before and has about as much substance as "politeness" promises. The New Zealand Australia Free Trade Agreement, signed in 1965, has considerably boosted our trade across the Tasman and gone some way to evening up what was a very marked trade imbalance in Australia's favour. But NAFTA has always been more important to us than to the Australians, and our enthusiasm has always been far greater.

In fact, in recent years the

Australians have not about as clear as they are with clothing, whereas now a rival pulp and paper industry — what they call NAPTA.

We're afraid that, increasingly, protectionist there are disturbing signs in our relationship with Australia. We're not, of course, desperately in our fingers to what we've got, but the best hope for the gradual return to a more balanced position.

THINKERS are certainly the idea of building up a hard appeal, but we give you reason to recall. Apart from the cost of acquiring and testing goods, the asking price for price for deer on the last last reaching was 100,000. The price, it's your own price for what was considered a pet, like around the \$2000 mark.

The principal reason for term prospects for exports aside — is the spiral in anti-vehicle that more than makes up for the increase.

Their farmers are getting about \$25 a tonne of wool destined for exportable Asia or Europe market. On the mature stag produce four to five pounds per annum return, so after, to make up for over his pocket calculator.

FACTS emerging the savings — suggesting about 16 per cent from weekend petrol bans and voluntary carpooling — are unlikely to be government until the unprofitable evidence figures are inflated.

The all companies divisions of the security survey system — the same service station used by the Motor Association — and for own figures on actual security available will show a less than

performance on the part of New Zealand motorists.

A United States Energy Department study just released shows that the banning of weekend petrol sales saves little petrol and results in longer service station queues the rest of the week — the queuing phenomenon tending to increase petrol consumption.

Undoubtedly, petrol rationing is the sure and certain way of reducing petrol consumption — either because of supply shortages or because high prices will further dislocate the economy. It is also likely to be the move the Government makes last, if and when everything else fails.

National will not have forgotten that it was the Fraser administration's enthusiasm for rationing — petrol and other kinds — after World War II that contributed significantly to the restrictive, austerity image that kept Labour off the Treasury benches for most of the next three decades.

THE Reserve Bank is still pondering on how much it should let the trading banks increase charges to customers.

Cheque clearing charges have remained at three cents for the last 12 years but the cost has soared to 40 cents. The banks, believe it or not, have been deliberately subsidising their customers but now they want to recover a higher percentage.

The Reserve Bank has been studying their case since late last year but still has not reached a decision. If the banks had wanted to maintain the old ratio of cost to subsidy, approval would have been given, but as a pricing authority the Reserve Bank is finding it difficult to see why the customer should bear a higher proportion of the cost.

IT'S an ill wind and all that... only in this case it was low cloud at Wellington which stranded some Auckland manufacturers at the airport in their home town last week. They fell to moaning about the Government and its handling of the economy.

Another VIP in their midst could not help agreeing with them, he being a senior Labour Party MP. Result: a \$250 cheque for party coffers on the spot.

WE know that oil is a precious commodity which must not be wasted, and we know that big spillages have nasty pollutant side-effects. But we don't share the Horbours Association's profound faith in the legislator being able to save us from spillage disasters.

According to a recent account in The Press, the association will urge the Government to introduce early regulations aimed at "preventing large oil spills in New Zealand". Presumably it envisages the bureaucrats in the Ministry of Transport producing the appropriate regulations and then Shazzam! No more spillages.

Among future projects, no doubt, will be work on regulations to throw back the seas between Picton and Wellington to facilitate road transportation across the strait when the ferries are out.

WEAPONS were being infiltrated into a male ward at Oakley Hospital. So what should be done to protect staff, patients and the public? Well, the Auckland Hospital Board opted to tighten security. And so it introduced a metal detector to screen people entering the security ward where, according to

superintendent Savage, "we have the same security problems as prisons, hospitals and even to an extent the airlines. We have intercepted knives and other weapons being smuggled in before, and the metal detector was designed to cut down this traffic".

But whoa, there... the PSA has come to the rescue of those who take umbrage at being given the once-over.

"We think it is very bad for visitors to have to be frisked like common criminals each time they visit the ward," said an association spokesman at the hospital.

We haven't had cause to visit the hospital of late, so cannot confirm that the electronic rub-down makes us feel like criminals — but we're not too happy to subject ourselves to the treatment when indulging in the occasional bit of international air travel, on the grounds we don't really want to share our airliner with some crazed — and armed — hijacker.

A different rationale obviously is being applied by the PSA, and the device has been taken out of service while negotiations with the hospital board take place.

ONE of those big Ministerial LTDs purged into Blair Street the other day, raising the immediate thought that maybe one of Her Majesty's Government's Cabinet Ministers might be dropping in at No. 15 to take the editor to the cleaners.

Not so... the chauffeur had already been to the cleaners, and was probably headed back for Parliament, if the pile of drycleaning in the back was any clue.

Minister of Energy figures show that the private motorist is saving at least 80 per cent of the oil needed to meet the Government's fuel saving target.

The Government has set the

target for overall fuel oil savings at 7 per cent of current demand, and last week, Energy Minister Bill Birch commented that the more than 16 per cent petrol saving made by the private motorist translated into "nearly 6 per cent saving of all fuel oil".

So if the motorist is doing so well with voluntary measures who else needs to carry on saving?

For that matter, what evidence is there that anyone else is doing any real savings at all.

Certainly the Automobile Association is not delirious about the prospect of the motorist doing all the country's work in saving fuel.

AA General Secretary Bob Lithgow said that Birch's statement on the motorist saving 6 per cent "would seem to indicate that the motorist is doing more than his fair share".

Lithgow said it was time information was disclosed from industrial and transport

sectors showing how, and to what extent they were meeting their targets.

This matter was to be raised in last week's meeting of the Government's fuel watchdog — the Demand Restraint Advisory Committee.

Birch denies motorists are carrying an unfair burden, and if the motorist wanted to avoid the actual introduction of carless days — voluntary or otherwise — then the motorist would have to maintain and even increase the amount of voluntary savings achieved.

He also questions the accuracy of the service stations' survey which Government used to chart the success of its petrol conservation measures.

Birch said the only real measure of conservation was the off take in fuel as measured by the oil companies, a point he said also applied to users of other fuel like diesel, jet fuel, and aviation gasoline.

Strangely, these figures are not available for public con-

sumption and therefore further fuel suspicious that something is cooking behind the scenes.

Birch said the Government's policy of hitting the motorist first was deliberate because that sector used 40 per cent of total oil imports in petrol consumption. He denied that the motorist was being hit because no measurement could be made of savings made in other areas.

Industry and transport sectors already have lower targets than the private motorist for fuel saving, but industry, in particular, would continue to be spared for what he said were "obvious reasons": presumably the productivity and employment reasons spelt out in NBR last week. Birch said plainly that if the motorist fell behind, then carless days would be on.

With the supply situation also being questioned (see other story page 1), there will be mounting pressure for a full disclosure of our fuel situation.

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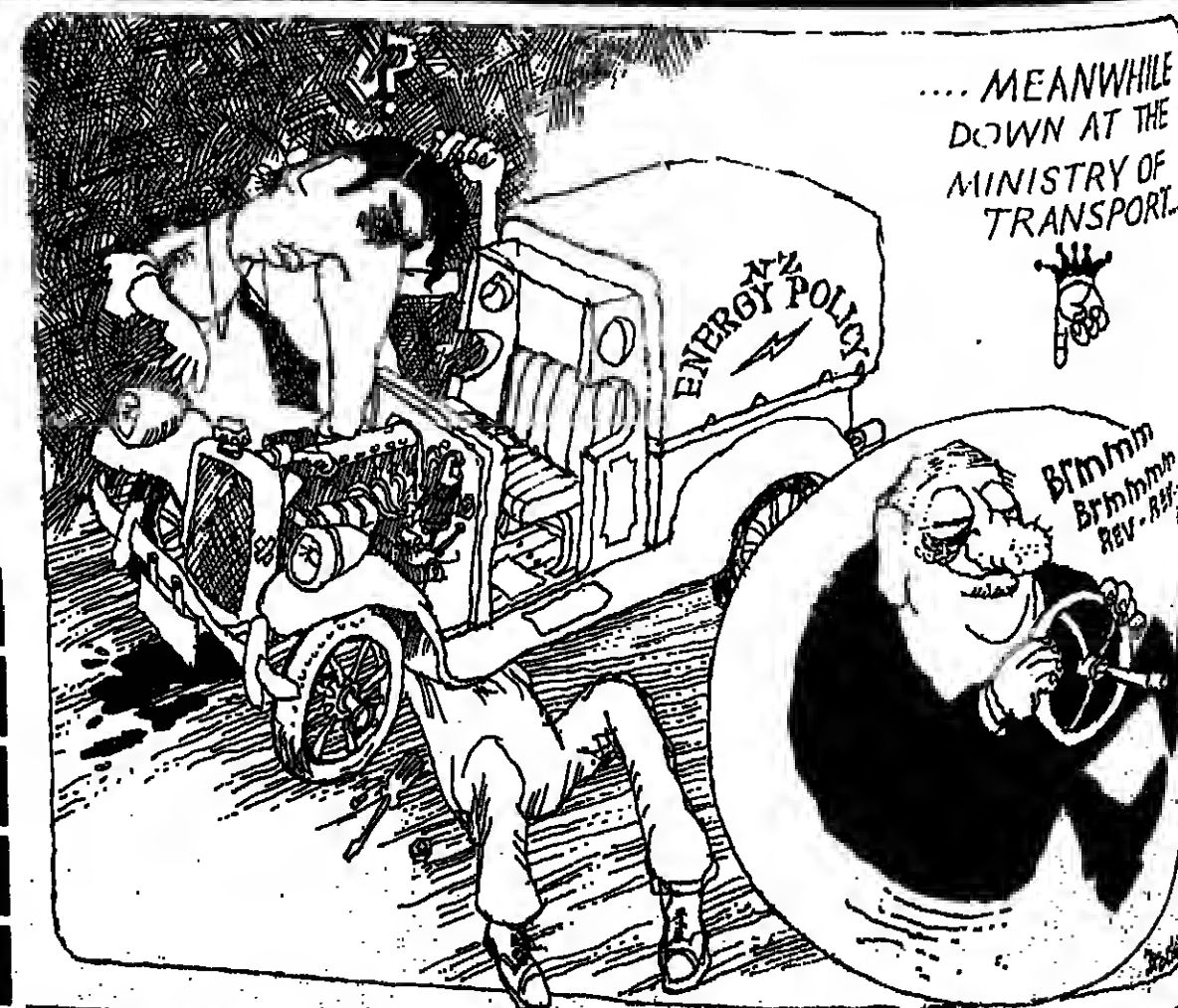
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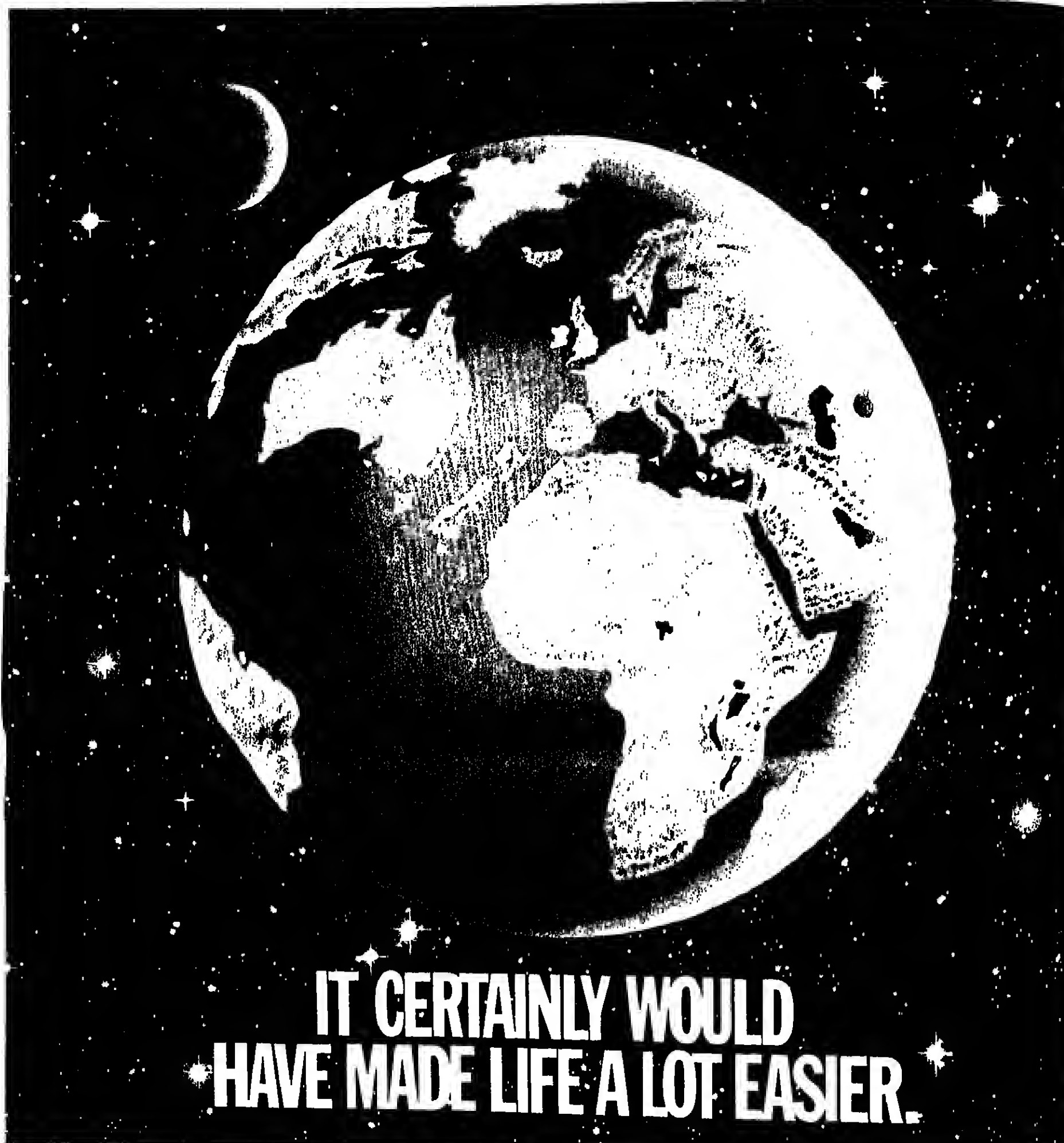
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BROCKIE'S VIEW



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Subsidised farmers want less Government

Economics
Correspondent

THE Wall Street Journal said New Zealand is the world's most efficient farm. "Three million people (45,000 of them farmers) produce butter, cheese, meat and wool worth nearly \$200 million. They ship it halfway round the world and are still capable of selling it for less than competitors can charge in their own backyards."

The problem is, protection and inflation have meant that farmers do not get an acceptable return for running this efficient farm. Lately farm incomes have been dropping and there has been little growth in their output since the late 1960s.

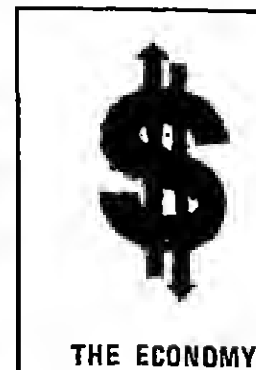
Federated Farmers' researches Bratt Tawse recently published a paper suggesting that farmers would benefit from a restructured New Zealand economy achieved through a freer market with less Government intervention.

There is nothing original about Tawse's arguments. And writers like Ian McLean (The Future of New Zealand Agriculture, Fourth Estate and the New Zealand Planning Council, October 1978) have stated them better. Tawse's article is of interest because Federated Farmers is circulating it to all provincial districts in the hope that the paper gets as wide an audience as possible.

Tawse reflects the established farming view about how the New Zealand economy should be restructured.

In the year ended September 1978, agricultural produce provided 78 per cent of our total export receipts. Given the key role of the agricultural sector in supplying the major portion of our export returns, it is important that farmers are properly rewarded for continuing to bring foreign exchange into the country.

Unfortunately, all exporters (manufacturers as well as farmers) are receiving returns based on world prices and these are generally growing slowly for our products. With inflation still high in New Zealand, exporters' costs are rising



more rapidly.

As the table shows, the farmers' share of total national income has declined steadily during the last 20 years. In 1978, farmers earned approximately 5 per cent of national income while providing 78 per cent of our total export receipts.

And even though the proportion of export receipts coming from manufactured goods has increased substantially in the last few years, manufacturers' share of national income has remained fairly static. Meanwhile, the share of national income going to wage



BRATT TAWSE...pushes farmers' view of world

and salary earners is increasing. As their share increases, there is a tendency for the country to become more reliant on imports. Imports provide the raw materials to ensure employment in the manufacturing and service sectors. And as the level of salary and wage income grows, there may be an

increase in the demand for imported consumer goods.

Export-led growth in the economy would have more of a chance if the profits and investment of the export sector could be improved.

As Tawse says: "Unless there is some reasonable return (income) going to those people who actually provide the capital to produce the goods (for export), then it seems unlikely that there will be sufficient incentive to ensure foreign exchange is earned."

What steps should be taken to ensure that exporters get a reasonable return? Here Tawse repeats some now familiar messages.

Tawse voices the recommendations of the Planning Council for a less regulated economy. He believes that with fewer restrictions there would be greater opportunity for initiative and risk with enterprises then reacting according to the associated reward or loss. Competition for all inputs, including capital and labour, would intensify so that efficiency would increase and correspondingly, the rewards.

He repeats one of the messages of the recent OECD report on New Zealand to lift protection. This could mean lower costs for exporters. "With the entry of overseas competitors, local manufacturers, wholesalers and retailers would no longer be able to survive in a cost-plus environment because the overseas competitors would undercut them. This would lead to greater efficiency through employers, knowing that they could not simply pass additional costs on, being forced to give more emphasis to productivity in wage negotiations."

"The consumer would benefit because competitive world prices would rule and quality would be improved. The agricultural sector would benefit because the freezing companies would have to be more efficient — if one particular works were not efficient, then farmers would not sell their stock through those works."

Apparently (although Tawse does not specifically say so),

by lifting restrictions and encouraging efficiency, the New Zealand economy will begin the process of restructuring.

Tawse's definition of restructuring is slightly different from the one usually stated by economists. To him: "Restructuring involves changing the allocation of resources to different sectors, preferably so that additional resources go to productive areas such as agriculture, as opposed to servicing areas such as health and social welfare services."

Economists do not appear to

Does he really want to restructure so that the whole economy becomes efficient or is he only interested in improving the welfare of the entire farming sector?

If so, he doesn't really want more competition. It is highly likely that some farms (hopefully the inefficient ones) will fail if the market is freed up. And as Tawse points out, some manufacturers exporters will also fail, especially if they are now depending on import controls and cost-plus pricing to support inefficient production for the domestic market.

(\$517.4 million) of total Government expenditure will be required for administration purposes. This is a considerable amount of money, somewhat more than an estimate of the value of all the subsidies and taxation allowances being used by farmers.

And yet this "servicing" expense for 3 million people. Subsidies and tax allowances to farmers benefit only 45,000.

Without substantial increases in Government spending this year, farming output (and incomes) might not reach such a high level. Subsidies for farming are likely to be between \$300 million and \$800 million this year, (that's between \$6000 and \$11,000 per farmer). And the Rural Bank was advanced \$163 million to loan farmers at low interest rates.

Subsidies not only add to Government expenditure, but they can also interfere with the free operation of the market. If the prices of New Zealand agricultural products were adjusted to reflect the cost of subsidies, we might not be able to remain competitive. If farmers did not benefit from subsidies, their standard of living would be lower and they might produce less at existing prices.

In choosing to subsidise farmers, the Government has used one means of allocating resources in the direction of our chief exporters. There is no certainty that if the economy was less regulated that resources would automatically go to farmers just because they are exporters. This depends on the nature of our overseas markets.

SHARE OF FARMING INCOME* IN NATIONAL INCOME AT MARKET PRICES

Period	Share %
1961-1965 (average)	10.5
1966-1970 (average)	8.0
1971-1975 (average)	7.9
1976	6.4
1977	7.1
1978	4.7
1979	5.2
1980	3.9

*Farming Income includes surpluses of producer boards and changes in balances of primary produce stabilisation accounts. Reprinted from Quarterly Predictions, NZIER, December 1978.

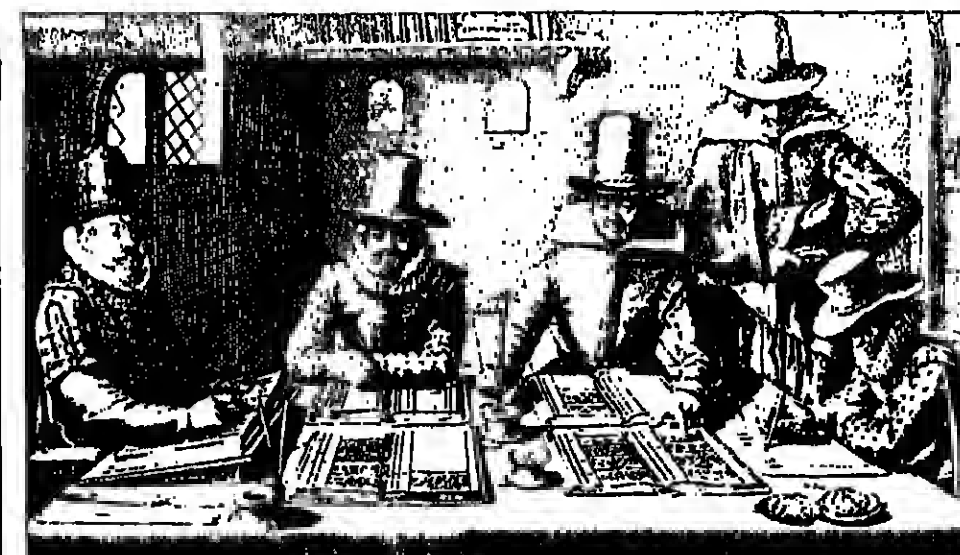
have an exact meaning for the term "restructuring," but the general idea is that resources should be allocated from less efficient areas of the economy to the more efficient areas. Health and social welfare are not necessarily inefficient because they provide services. They may provide those services quite efficiently.

And although farmers produce a product, not all of them do so efficiently.

Is Tawse blinkered by the interest group he represents?

One underlying theme in Tawse's article is that the Government costs are too great for the economy. "The pressure being placed on Government to provide facilities, services and benefits for one sector or another is more than our economy can provide and yet these demands are still made."

He complains that "In servicing Government expenditure in 1979 (excluding supplementary expenditures) it is estimated that 8.1 per cent



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NBR BUSINESS WEEK

Huge off market transfers need regulation

By Peter V O'Brien

THE Stock Exchange Association needs a new rule to clear up an unsatisfactory practice which is developing in the shares of listed companies.

Substantial parcels of shares, sometimes transferring effective control of companies, are taking place off market, with no necessity to report the transactions to the Exchange. When a broker handles such a deal for any share transfer he reports the sale. A company need do so under the rules only when the transfer is material to the

overall business, and would be likely to have an effect on the share price.

But other companies are buying and selling share parcels, and not reporting them.

The Broadlands sale of a 35 per cent stake in NZ Pastoral Holdings Ltd, was an example. The regular activities of Brerley Investments constitute another.

There was no compulsion on Broadlands to report that it sold Pastoral Holdings shares if that sale was irrelevant to the overall state and structure of the finance house's

business. (Due to the delicate relationships involved, commonsense would suggest that you state this fact immediately, but that is a separate question.)

The announcement that Ceramco Ltd was bidding for Tappenden Industries Ltd included the information that the former group had already acquired the Brerley Investments' shareholding in Tappenden. Again there was no compulsion on anyone to report that sale to the Exchange at the time it occurred, unless it affected their total business. In the Brerley case this company has so many

interests that lopping off one investment has little effect on the total structure.

Ceramco's position is rather different, because the company intended to bid for Tappenden. A payment of \$1.5 million is not a massive sum for a group of Ceramco's size, although there is a stronger case for suggesting that the company would have been prudent to advise the Exchange at the actual time the transaction took place.

But "commonsense" (Broadlands case) and "prudence" (Ceramco and Brerley) are insufficient to deal with this problem. They

are subjective matters, which will be judged differently, or ignored, depending on who makes the assessment.

The Stock Exchange Association would assist its programme of letting everyone know who owns what by introducing a new rule to cover these situations.

The rule would state that whenever a listed company sold more than 10 per cent of another listed company to a third party (whether listed or not), the sale would have to be reported to the Stock Exchange Association.

When a listed company bought more than 10 per cent of another listed company from a third party (whether listed or not), it would report the sale immediately.

A third case causes problems. It arises when an off-market transaction takes place between individuals or companies, none of whom are subject to the Association's rules. It is impossible to enforce rules against people who are not subject to them. The solution would be a provision in that far away new companies act, but that is looking for answers sometime near the year 2000, unless the Securities Commission can get to work on the problem.

The only practical solution for the Stock Exchange Association, admittedly not

perfect, would be a letting the responsible listed company whose share transfers have changed hands.

When the company's share transfers involve more than 10 per cent of another listed company, the one person or company would be bound to inform the Association, in practical terms, the purchaser is carefully checking his purchases under names to avoid common Brerley's, but without changing the rule it is impossible to cover every contingency.

Changes to the rules suggested here help to clear up the which is affecting and informed market, and the plans of the particularly those moving into the positions.

Rather than being "through" through the latter, the changes would be a "get it" because the rest of the shareholders would be informed on what their judgment on their holdings.

The present lack of this issue (and it is at regulation for my sake) affects that market short of it.

The only practical solution for the Stock Exchange Association, admittedly not

Analysing annual accounts

by Peter V O'Brien

THE Wellington Gas Co is another group which omits its annual report the Act in relation to directors' reports.

This matter was referred to last week when looking at Gear Meat Co. Coincidentally, Wellington Gas happened to be on the list for review this week.

In the Wellington Gas case this practice is traditional, whereas Gear has recently altered its method of reporting. The point might be minor, but surely all listed companies should at least follow the basic requirements of the Act.

Apart from that curiosity, the report is of a good standard, particularly for a company with a capital of only \$892,000 and total book value assets worth \$5.5 million.

The profit and loss account illustrates a problem in dealing with utility companies. Wellington Gas produces sales figures and information on the cost of sales which is a welcome level of disclosure.

Last year the company sold \$4,188,885 worth of gas, compared with \$4,065,224 in 1977, an increase of 3 per cent. But the cost of gas purchased went up 12.88 per cent, totalling \$1,907,080, compared

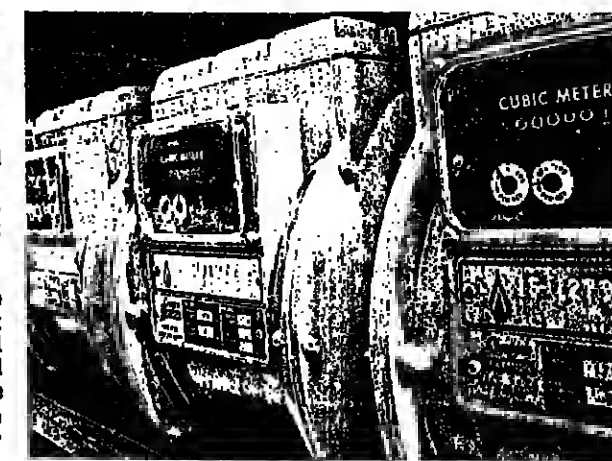
with \$1,682,854 in the previous year.

When Chairman Ian Reid was questioned about the apparent discrepancy at the annual meeting last week, he said the company had decided not to pass on to consumers the full amount of the Natural Gas Corporation's price rise last year. The annual report referred to the point saying: "The decision was made by the company to absorb 28 per cent of the increased cost of natural gas plus \$121,000 of increased working costs. Our tariffs have remained unchanged since that decision despite further cost increases since 1977."

Companies would improve their reporting in such cases if their report included the volume sales of gas, or other products, which can be affected by similar decisions, in addition to sales etc in dollar values.

A gas company has problems in this area, because there is an item known as "unaccounted for gas", but some indication of volume sales would assist. "Unaccounted for gas" is lost in the reticulation process, apparently for reasons such as old plant and equipment.

The company's balance



WELLINGTON GAS... absorbed 28 per cent cost increase of natural gas.

sheet is straightforward, as is expected in a utility.

A substantial decline in the level of short term investments which Wellington Gas usually has on hand is a feature this year. The report does not say where the money went, but part of it would now be invested in Napier and Hastings Gas shares.

The group maintains its solid asset backing, with a 1978 figure of \$3.86, compared with \$3.23 in the previous year. But that amount needs adjustment to reach the true figure. Land

was last valued in 1974, and there has probably been another increment since then.

A sum of \$1,388,338 is invested in "distribution systems and equipment", an item which may be "worth" its book value, but is possibly less. It is certainly needed to operate a gas company.

The group is in the process of restructuring itself, through a new holding company, Welgas Holdings Ltd. There will be a "takeover" of Wellington Gas on the basis of 11 Welgas Holdings shares for every 10 Wellington Gas shares.

The method is effectively a one for ten bonus issue to existing shareholders, because all the assets, and all the shareholders, remain the same.

The company might decide to have another look at asset values after the takeover. If the values remain unchanged, the asset backing of the shares in Welgas Holdings will be \$3.32 as against the present \$3.66.

Directors expect to maintain the present 12 per cent dividend in the new capital. On the basis of 1978 earnings, there would be a cover of 3.61 for the payout, compared with 4 in 1978.

The high dividend cover prompted a shareholder at the annual meeting to ask why the directors did not increase the dividend. Due to the devilish cunning of Chairman Reid the shareholder was unaware that the company was to be reorganised and have a bonus. Reid gave his address in two parts, leaving the restructuring until general business, thus finishing the meeting on a bull note.

With a cover of 3.61, and dividends paid from capital profits, there seems scope for further shareholder benefits in future.



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Legal battle stalls new air service

THE legal battle between the Air Services Licensing Authority and the Haulways Corporation is stalling the start of a new air service covering Air North's former routes.

In the meantime, the authority has overruled Air North objections at its routes being given to other operators. The authority decided last week to give the Mount Cook Group permission to use extra aircraft on the Auckland-Rotorua sector, and earlier gave the Auckland-Kaikōhe service to the Auckland Aero Club.

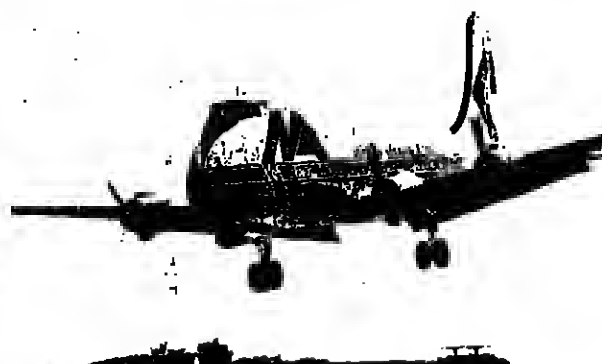
Air North is now called Nationwide Air and is in receivership following the financial troubles of the beleaguered Haulways Corporation. The authority said all Air

North services were terminated by the receiver who was appointed in December, and that it can see "no validity in an objection on behalf of an operator which has withdrawn its services and is now in the hands of a receiver."

The authority's latest decision removes restrictions on licences held by Mount Cook operating between Auckland and Rotorua, which were originally put in to protect Air North from Mount Cook competition.

Specifically it gives Mount Cook the right to use a nine seater Britain Norman Islander aircraft on the Auckland-Rotorua services and the right to use the aircraft for charter and taxi work from a Rotorua base.

Previously, Mount Cook was restricted to using only its 48-



NATIONWIDE...takes Supreme Court action

seater HS748s on the service and could not pick up passengers at Rotorua in other aircraft for the Auckland trip. Since the receiver's appointment, none of Air North's previous services has continued, but in late

February the licence was sold by the receiver to a company called DHR Wilkie Aviation Limited.

Earlier the receiver was advised by the Licensing Authority of outstanding legal matters which would prevent

transferring of the Air North licence to any other body.

According to the authority's decision Wilkie was aware of the following points when he agreed to buy the old Air North licence:

• Nationwide Air (Air North) had appealed against the authority's refusal to nild a Cessna 402 to the licence.

• Nationwide Air had appealed against the authority's decision to amend its standard terms and conditions order. The authority had changed the order to make compatibility of freight capacity a factor as well as compatibility of passenger seats when a company sought to substitute one aircraft for another on its licence.

• Nationwide was also taking Supreme Court action against the authority seeking

an order that the selection of a Convair and a Cessna 402 be made in terms of the order.

• Nationwide Air was not a court order on whether the authority could hold a licence in the name of Air North.

The two appeals were heard until the Supreme Court matters have been dealt with and no dates have been set.

On-line booking

by Stephen Ball
ON-LINE air ticket booking systems for travel agents already set to enter New Zealand (NZR, February 1979) but access to Air NZ's reservation system is obviously the big prize — the winner, or winner, decided by the airline.

Air NZ is in the forefront of evaluating rival systems, travel agent reservation systems, and has made it clear it expects the final winner system to be one of the following:

Some suppliers see an attitude of attack as freedom of the end user — travel agent — to decide equipment he will use. The airline, though, is its rights on its grounds. If a system allowed access to the data was commercially successful or if someone would have the losses and, in the end, would either be Air NZ passengers, said spokesmen.

Suppliers already in market range from networks like the British Video venture to small in-house installations individual travel agents. Air NZ marketing director Norman Seale insists the airline is willing to look at systems in which comes with at least one of the set suppliers claims it has been rebuffed in other parts of its system evaluation.

NORMAN SEALE
at any system

The most economical answer for their travel probably be a single system — a single access the files of the airlines. Air NZ confirms that single systems — supplied the airline and giving its files only — are considered.

Seale stresses that the evaluation is a very early stage question of whether agents would be tied to a particular system for bookings or allowed amount of freedom has been settled. There is clearly a for some heated among Air NZ suppliers and later in the year, when begin firming up.

NZR destiny rests with political master

by Bob Stott
THE Government's veto of a proposal to establish a new South Island rail ferry port — one of the more important points in the NZR discussion "Time for Change" — comes at so opportune time. The decision illustrates how railways are not masters of their own destiny — and how railway staff are not entirely responsible for the various ills, real and imagined, which plague this crucial transport service.

In "Time for Change", Railways' general manager, Trevor Hayward, explains how shifting of the ferry terminal from Picton to Clifford Bay near Laka Grassmere would cut the sea time by 40 minutes. The overall time from Wellington to Christchurch would be reduced by up to three hours for goods and cut to about eight hours for passengers using the ferry and connecting rail services. Travelling times from Wellington to Blenheim and Nelson would be reduced and "substantial economies would be achieved and some charges would be reduced," he said.

It is not hard to see how costs would be reduced. With a saving of 80 minutes on a round trip, ferries could do more work in a year. Bigger ships than could conveniently use the tortuous approaches to Picton would be possible. The 33 kilometre of railway from Grassmere to Picton could be downgraded to branchline status and Spring Creek-Picton could even be closed. Reduced running of cars, trains and trucks using the ferry, plus the cut in sea distance also add up to some degree of fuel saving.

The overall savings offer at least 10 per cent return on capital invested in a new Clifford Bay port — but it is not to be.

At the Harbours Association conference in Picton earlier this month Railways' Minister, Colin McLachlan said the Clifford Bay scheme would not proceed.

On February 1, McLachlan pointed out that the rail ferries had carried a record of more than 200,000 passengers and almost 40,000 motor vehicles during the holiday season to the end of January.

The Railways' 31.378 annual report shows that in the preceding year 724,242 passengers, 146,226 cars, 51,629 commercial vehicles and 1,612,286 tonnes of goods were carried on the ferries.

As the population of Picton is only 3500, most of the people, cars, lorries and tonnes passing over the wharves must be generated at points well south of Picton and in the Nelson district.

Leaving the ferries at Picton offers the best possible service for the largest number of people. In response to the Minister's statement Hayward said the study of the Clifford Bay proposal would be completed. "This is necessary to identify an area of cost which is one of the factors preventing the department from achieving an overall profit," he said.

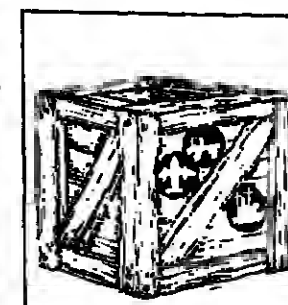
"This is not to suggest that the Clifford Bay proposal would proceed, but to promote an understanding of the cost of Railways operating in the way for social reasons there may be a cheaper alternative."

To continue operating through Picton may involve significant costs in comparison with Clifford Bay and in line with the principle set down in "Time for Change" the "cost" of this study is essential to establish and identify the social costs involved," Hayward said.

What he is in effect saying is that if the Railways are forced to run in an uneconomic way, then the NZR wants the public to know what it could do if left to its own devices.

The ferry shift veto casts a shadow over the Government's much vaunted "user pays" philosophy. It's all very well asking the user to pay the full cost of a transport service, but in turn the user can surely expect that the service he is paying for is being run as economically as possible.

Furthermore, if it is considered "socially beneficial" to detour 3/4 million people and 1.6 million tonnes of freight through Picton each year then



TRANSPORT

it can hardly be argued that only one train should make the Wellington-Auckland trip each night.

It's no wonder that the Manufacturers' Federation was critical of what it saw as "outright rejection" of the ferry terminal shift. Federation director-general Ian Douglas said the greatest obstacle to more balanced economic development was the exorbitant transport costs. If the Clifford Bay idea was economic and could speed up the flow of goods, manufacturers would be right behind it.

Finally, it is appropriate to summarise the sorts of factors which led the NZR in the first place to cast round for a new South Island terminal.

• To be as economic as

possible, new rail ferries should be larger — maybe twice the size of the Aramoana and Aranui — but ships of that size would not be able to use Picton because of the tortuous and narrow approaches.

• The Picton ferry terminal is incapable of further development. The site is cramped, bound by sea, steep hills and very expensive real estate.

• Moving the ferry terminal south would avoid the steepest railway grade on the Christchurch route, (the climb out of Picton to Elevation and the Dashwood Pass climb.) allowing a given fleet of locomotives to move more

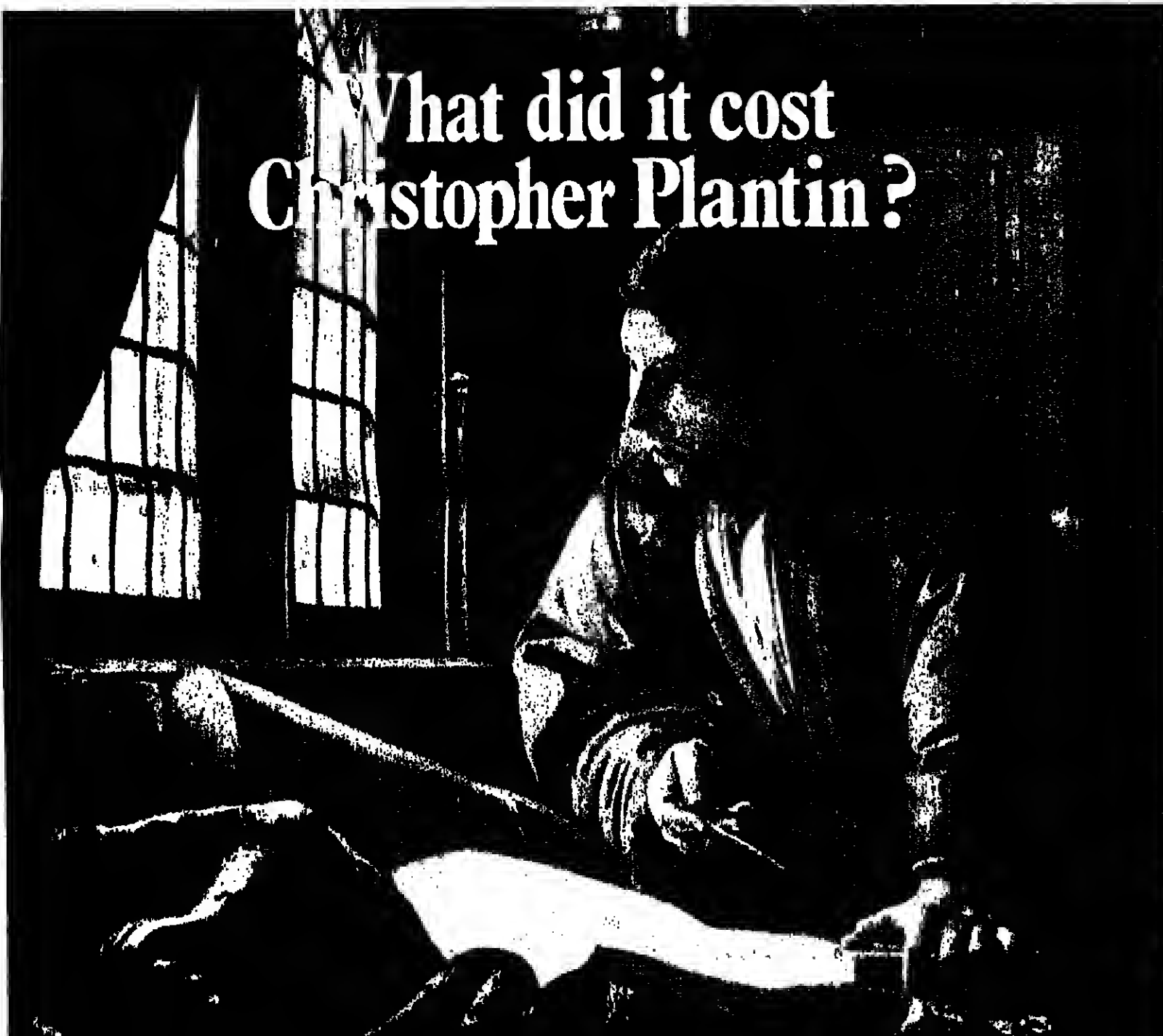
freight.

• For passengers, the run from Wellington to Christchurch would be cut from 11 to 8 hours, goods trains would save at least three hours, and there would be corresponding savings for private motorists and trucks.

Why the Government should veto such a scheme is beyond me, unless it is that the nation is now so broke that it cannot even afford to spend relatively modest sums today in order to achieve worthwhile future savings.

The only other explanation is that Picton's 3500 population has a political clout beyond my wildest dreams.

What did it cost Christopher Plantin?



During the last half of the 16th Century the widespread growth of industrialisation, particularly in England and the United States, gave rise to the development and expansion of cost accounting.

Although cost accounting is generally thought to have developed with industrialisation and the factory system, its first usage can be traced back to the 14th and 15th Centuries.

During the time of Henry VII, a large number of woollen manufacturers moved from the cities to country villages, and founded industrial communities outside of established Guilds. Without the stringent restriction of the Guilds, the manufacturers found themselves

competing with the Guilds and among themselves, and cost records became a prerequisite for success.

Another example of the early use of cost accounting is the set of accounts belonging to the early Antwerp printer and publisher of the 16th Century, Christopher Plantin. In his accounts, Plantin kept separate accounts for each book printed, stock accounts in value and quantity for each kind of paper used, and a plant ledger.

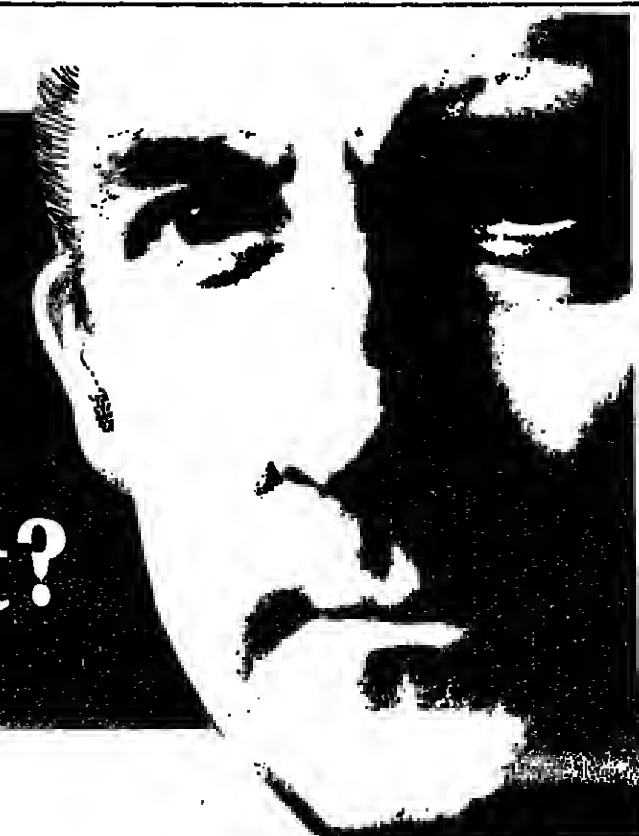
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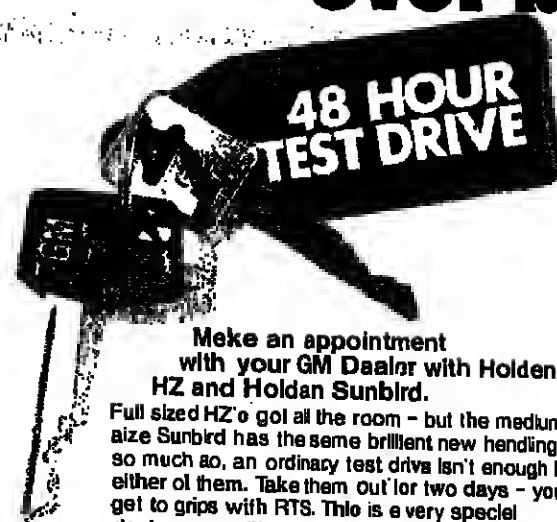
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As we said, we're tying up a good slice of
our capital in this 48 hour test, so - with
regret - we really have to limit the offer to
bona fide fleet buyers.

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Tuned Suspension**

by J V White

IN HIS February 7 open letter
to Gundlach, the NBR
Economist Correspondent
criticised New Zealand
exporters for not diversifying
markets - a theme that isn't
new. In fact the points he made
were threshed out many years
ago.

The rather amusing aspect
is that it is hardly likely that
Clay Gundlach will be
particularly anxious to take
this particular message back
to Brussels. The European
Economic Commission fights
a continuing battle with the
Agricultural Ministers of The
Nine to try to curb the growth
of agricultural protectionism.

Officials such as Gundlach
are not only free traders by
birth, (he is Danish), trailing
the was one of the senior
officials of GATT), but also
have a genuine fear of the
destructive influence of the
present CAP (Common
Agricultural Policy) on the
Community itself, especially
now that Britain is a member.
It was problems of the CAP,
for example, which frustrated
the negotiations for ECU, the
proposed common currency
unit which the commission
badly wants and the
Community badly needs.

But the open letter does
raise some interesting points
about our trading problems.
Appreciation is necessary of
the limitations within which
we must work.

There is the physical
problem of resources. We have
a climate adapted to growing
pastures and pine trees and to
the maintenance of livestock
outdoors and thus with a
minimum of labour.

We do not have any
substantial areas of very good
soils. Most of our farmland is
hilly, some very steep.

But we have developed a
system of farming with
reasonably large holdings and
we have taken advantage of
the considerable potential
which lies in the application of
science to the practice of
farming.

This combination of climate,
economics of scale and applied
science gives us a great
advantage in producing
livestock products.
Nevertheless, although we can
produce more cheaply than
most other countries, livestock
products are expensive to
produce and expensive to get
to market; and the more fully
they are processed the more
expensive they are.

In principle, much the same
applies to products from our
pines forests.

This constraint in marketing
possibilities greatly limits
market potential for several
reasons. The richer countries
comprise the OECD group, to
an increasing extent the USSR
and OPEC members in the
Middle East. Most of these
countries, or blocs, have high
and growing incomes but very
slow rates of population
increase.

More important, they are
mainly in temperate zone
regions and also produce
livestock products (not, of
course, the Middle East
group). Farm holdings tend to
be small, hence the farm
population is sufficiently
numerous to constitute an
important political force;
hence the strong degree of
agricultural protectionism.

In spite of the problems
these countries, mainly the
OECD group plus apparently
to an increasing extent the
USSR, constitute our main
markets. This will continue for
quite some time yet.

Well, it may be asked, are
we producing the right things?
Are not Third World countries
short of food and is not New
Zealand an efficient food

supplier and should we not be
meeting that demand?
Take the second question
first. The answer is: "No, not
really." About four years ago
the world went through a
period of serious grain
shortages because of droughts
in China and Russia and many
do-gooders began lamenting
over the amount of grain fed to
animals instead of direct to
humans.

The position has changed.
Grain stocks in most countries
are high. In India, one of the
countries with very great food
supply problems, grain
surpluses have proved an
embarrassment to handle and
to store. It is true that the diet
of people in many developing
countries is deficient in animal
protein, but animal proteins
are expensive which is why
our markets are in the more
affluent countries.

Which brings us to the first
question, are we producing the
right products?

New Zealand's capacity for
grain production is not great.
The dairying areas of the
Waikato and Bay of Plenty
have proved to be excellent for
maize; but maize is used
largely for stock feed and the
markets are in the richer
countries which use maize and
other imported feedstuffs to
produce milk, beef, pork and
poultry products.

Lately, there has been some
development in horticultural
products, particularly

exotic in the Middle East.
All of our energies should go
to encourage this healthy
trend.

While secure markets
provide a base for developing
new markets for our
traditional agricultural ex-
ports (for example, by con-
tinuing to trade butter and
cheese with the EEC, we can
encourage dairy farmers to
keep their stock until new
markets are found), they also
blunt our interest in looking
for new markets. If our few
Government Cabinet Ministers
and diplomats spend their
limited time negotiating with
the EEC for continuing quotas,
they will have less time and
energy to spend discovering
and negotiating for new
markets.

Our only planning body, the
New Zealand Planning
Council, devoted its only major
report on trade to New
Zealand's relationship with the
EEC. It claimed that New
Zealand exporters could not
diversify further, but
published a chart showing that
they have diversified rapidly
since 1965.

As nearly one-third of our
exports are sold to the EEC,
the market is of considerable
importance to us. The market
is densely populated with
people of reasonably high
incomes, which makes it a
perfect market for New
Zealand products (as White
points out).

But certainly our priorities
are wrongly placed if our
major planning and research
effort goes to secure existing,
if uncertain, markets rather
than to determine the
appropriate directions for
future development in new
circumstances.

The theme of my open letter
to Gundlach was that New
Zealand exporters have
already diversified (both
products and markets) and are
likely to continue to do so. J V
White suggests further market

EEC open letter draws defence of tradition. . .

... and a cry to innovate

Economics
Correspondent

OLAV Gundlach has pos-
sessed his trip to New Zealand.
Until we see the memo in the
press, we cannot know what
message he carries from the
EEC to New Zealand - and
this provides us with one of the
essential ingredients in any
debate, an unknown quantity.

Because nobody knows for
certain what Gundlach will
say, those so inclined may
speculate.

In the long run, Gundlach's
identification as a free-trader
should be good for New
Zealand's interest. In the short
run, however, he may be
forced to put the interests of
the European farming com-
munity before those of the New
Zealand farmer. He is unlikely
to completely cut-off New
Zealand trade, but may be
compelled to tighten up quotas
for butter and lamb.

There is another important
unknown in this debate: the
potential for New Zealand to
develop new markets overseas
for her traditional agriculture
products.

In the past, the trade issue
has been argued largely with
reference to conventional
wisdom about traditional
markets. Those who repeat the
conventional wisdom have the
safest position in this sort of
debate. Those who attempt to
look beyond what is known or
believed must expect to be
labelled stirrers.

The theme of my open letter
to Gundlach was that New
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subtropical fruits and there is
increasing interest in
asperegus. Another
alternative to traditional
livestock products, in which
very large sums are being
invested, is deer farming, the
profitability of which will
depend a great deal on the
continuing market for the high
priced portions of the animal
which are used in the
manufacture of ephrodisiacs.

True, this market will be in
Asia but the markets for most
of these products will be in
those countries where a
substantial proportion of the
population has high levels of
income bringing us back to the
OECD group plus Middle East
oil countries.

The Middle East oil states
meet the criteria of wealth and
taste. In fact the 1978
projections of the Food and
Agriculture Organisation
indicated the Middle East, and
particularly Iran, as the
principal growth area for
sheepmeat. Well we hope that
they will still be right but Iran
is the key-pin because it has a
large population, and
incidentally, resources other
than sand and oil. Some of the
wealthier oil states lack the
population to become
significantly large markets.

The developments in Iran
highlight the continuing need
for the backing of the
European market. In fact,
there is no reason why a
substantial market for lamb
should not be built up in
continental Europe. The same
applies to North America;
again the richer countries. But
it would be most undesirable to
become dependent on one
region such as the Middle East
or even America in the way we
were on the United Kingdom
market.

Continuing lamb sales to
Europe are necessary for the
maintenance of a healthy
sheep industry but butter
presents a very much greater
problem. Sales of anhydrous
fat (butter in another form)
have increased, mainly to
Third World countries, but the
one thing which is quite
certain is that there is no vast
untapped market in Asia for
butter. New Zealand is not the
only dairy exporter to have
discovered this unpalatable
fact. The EEC have
themselves. The viability of
the dairy industry and hence
about 15 per cent of our export
earnings depend on the
maintenance of a significant,
if declining market in
Europe.

China is still a poor country
and will buy the things it needs
and which it has bought for
some time: wool, hides and
skins, tallow, wood pulp and
possibly other raw materials,
perhaps some meat for not yet
built tourist hotels. In fact
most tourists will probably
prefer to sample Chinese food.
Perhaps in 10 years' time the
position will be different. This
again emphasises the need for
a stay of execution as far as
the EEC is concerned.

In this very potted analysis
of the likely marketing
situation I have concentrated
on the agricultural sector
which is the issue as far as the
Community is concerned, and
which, in any case, is likely to
remain the most important in
the reasonably foreseeable future.

Other types of products,
forestry, fish (at present under
a cloud) and manufactured
goods may have good
prospects in the Asian region
but even if this is the case it
does not warrant surrendering
the European market for the
products which are quite basic
in maintaining the viability of
our major livestock industries
covering some three-quarters
of the value of our exports of
goods.

the hille chair programme

Ladies & Gentlemen please be seated

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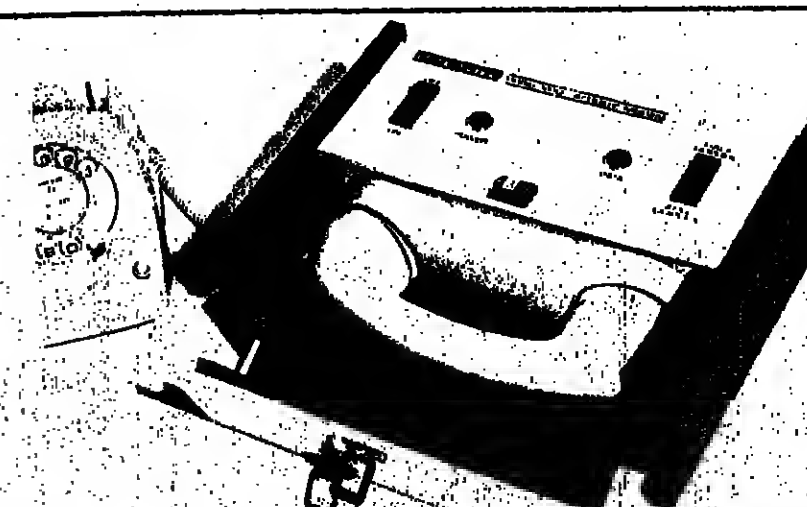
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Energy price gets priority

YOUR editorial of February 21 went too far in claiming a "shambles" exists in energy policy making. On the contrary, the 60 per cent bulk price increase for electricity is clearly the first move planned in economic restructuring. Energy pricing has been given priority in this process, but other developments can be expected in areas of the economy which are distorted, presumably in the order of their misalignment or economic significance.

Those who have watched the portents will recall the former Minister of Energy's statement that "the days of cheap electricity are over". Other straws in the wind were the International Energy Agency's published advice to the Government stating that our electricity was being grossly undervalued, particularly in view of the capital and running costs for new generating plant. The Government was generally understood to have accepted most of the IEA's advice, so that an increase of some magnitude was obviously

only a matter of time. Indeed, even Labour politicians before the General Election were able to predict a 100 per cent tariff increase — only exaggerating by 40 per cent! Your editorial statement that domestic solar water heater sales suffered following the last Budget is true, but the \$600 interest-free loan scheme has undoubtedly just received a life-saving boost with the bulk increase, and though the assistance was perhaps overdue, Electrical Supply Authorities and the Ministry of Energy will now be obliged by public demand to implement the Government's solar heating policy to the utmost.

You say the present policy links indigenous fuel prices with those of oil imports, and discourages use of a homegrown product "with which we are glutted". This comment seems premature in view of the anticipated realignment of other energy prices to the reshaped economic structure. The diversion of electricity to more appropriate functions than water heating can only be helped by the new tariff. Such developments include electrification of the main trunk line, revival of metropolitan



LETTERS

trolley fleets, and use in a variety of essential industries such as fertiliser manufacturing.

It is axiomatic that the Government and its officials seldom disclose their long-term plans or options. Energy Goals and Guidelines seemed to offer a welcome change in direction, and involved the public far more widely than is usual in decision making. The ultimate aim was to obtain a consensus. Clearly the Government and its advisers made their decision, having evaluated the alternatives produced by Goals and Guidelines. In the light of further advice from overseas authorities and taking account of disturbing developments

affecting our major suppliers of imported fuel. Unfortunately, Goals and Guidelines may have encouraged people to think the discussion of energy policy could go on forever, and to these the Government's electricity price increase will appear abrupt. In fact, all evidence points to a "grand design" for energy which time will show has been well considered.

JDC Lag, Auckland.

Rewards to labour

ON page 16 of the February 14 issue, you had a truly remarkable sentence: "Growth in the rewards to labour exceeded total net output growth, although virtually all of this was lost in direct taxation."

An increase in the cost of labour is not necessarily "growth" in the rewards to labour (for example, payroll tax). Mr McDonald would find it easier to express himself intelligibly to non-economists

— who are still largely dependent on English for their information. If he first defined what he meant and used language to convey ideas consistent with the facts he purports to be describing. His "rewards to labour" consist of two parts, each paid by the employer in the first place and subsequently recouped from customers. These two constituents are (1) the workers' take-home pay (THP), and (2) the PAYE that must be paid by the employer for permission to give his workers their THP for their labour.

Contrary to what Mr McDonald and many workers believe, PAYE is not a reward to labour. It bears the same relation to a worker's pay as a dog licence to keeping a dog, that is, it is a fee that must be paid for permission to incur certain expenses, whether they be the cost of keeping a dog or paying a workman.

In the private sector, employers must pay a sum (PAYE) over and above an employee's wages (THP) as a condition of giving a man employment; both of these sums are lumped together under wages, but quite erroneously, as wages are destined for employees, but PAYE was never meant for them; workers pay taxes out of their actual wages (THP) whenever they buy anything; they then pay both the THP and the PAYE advanced by employers in respect of other employees. In short, a worker pays no taxes until he starts to spend his THP.

From an employer's point of view, the tax on labour is progressive — the more THP he wants to give a man, the more PAYE he must pay to do so. A progressive tax, however, on the employing of labour is a regressive tax on the receipt of wages (THP). If, say, it cost \$3500 for a married couple with two children to clothe, feed and house themselves adequately, and \$800 of that \$3500 represented PAYE on workers' wages and income tax on employers' profits, then a man with an annual THP of \$4000 must pay 20 per cent of his income in tax, but a man on a THP of \$10,000 must pay only 6 per cent.

CT Reid, Popotutote.

Behind the National line

IT is obvious to me that at least in Mairangi-Murrays Bay branch of the National Party they are still not prepared to have any of the National Alternative supporters join the ranks of the Party.

A number of us, who are still loyal National Party supporters, sent our annual subscriptions to the secretary of the branch when we heard through the grapevine that their annual general meeting was scheduled for Thursday March 8.

Every one of us received letters, registered and costing 75c to post, saying either that we would be considered at a committee meeting to be held after the AGM, or telling us that our membership had ceased due to the fact that we had nominated David Phillips, the National Alternative candidate who opposed Frank Gill.

We were also told that we would be unable to attend the meeting.

I just don't understand why the new applications are being processed after the AGM if there is nothing to hide, and wonder why these people are unacceptable to the National Party when all they did was vote for David Phillips. I wonder if someone who had

defected from the Labour camp would be treated with such caution if he said he had the National was his choice for the 1981 election.

I searched the public notices in our local paper, but was unable to find any notice advertising any of the Mairangi Bay branch meetings, yet I found advertisements from Albany and Birkenhead.

This surprised me, because this was one of the things we objected to before we decided to put up a candidate. I really expected them to be more open than they had been in the past.

The electorate chairman, Bob Browne, was quoted in the Auckland Star on March 8: "We are not prepared to have a takeover situation here."

Robinson is a rich man. He has a string of sports shops and other financial interests. He is also a political heavyweight, having been the president of the Queensland Liberal Party. He went into Federal politics because he wanted something to engage his talents and his energies. As Minister of Finance, he had a powerful position — not as powerful as his New Zealand counterpart, for there is also a Federal Treasurer. But, nevertheless, it was a job which took him to the heart of policy questions, and power to decide how they were to be answered.

When he decided to resign, there was a flurry of activity from Canberra-based journalists. Around 6.30 p.m., Robinson went to a meeting of Liberal backbenchers. He told them he had resigned and was

As I came into the church grounds, I saw that there was a police car parked near the annex. As I approached the porch, I could clearly see a police constable standing inside the doorway.

As I entered the door, Bob Browne came towards me and we exchanged salutations and I asked him why he thought it necessary to invite me to the police. He told me that I was unpredictable and I might be a most predictable person I knew. But I later found out that we were coming with all our supporters and that, of course, could have meant a confrontation.

I explained to Mr Browne that we had come to attend the meeting and handed him my letter as did my associates Ed Fowall, and we waited until he discussed the contents of the letter with his committee. He returned after a very short time and told us that he did not accept the opinion of our solicitor and that we were unable to attend the meeting. He then returned the letters and the cheques and we moved off the steps of the porch and waited for some other people to arrive.

The other people, incidentally, numbered two, and not as previously thought hundreds.

A short time later, the police officer came out of the hall door — which remained closed and looked from the time we left the porch until the police officer came out.

If it wasn't serious it would be funny, as every person who arrived late had to knock on the door and wait until it was unlocked and opened before they could enter the hall to attend the meeting.

We left the church grounds and went to consult with our solicitor, who advised us that we could take Supreme Court action.

We have instructed him to do so and it is now over to him. Already we have had calls from people outside the electorate and from inside too who wish to assist us with our legal expenses and we are very pleased that this action is being upheld by people we don't even know but who feel we have been wronged by the branch of the party.

James H. Bridges, Mairangi Bay, Auckland.

Australian politicians play Russian roulette

by Spiro Zevos

SINCE he fell out with John Gorton and helped that worthy man to fall from his position of Prime Minister of Australia, Malcolm Fraser has topped many other Australian politicians. Billy Snedden was once a helpless victim once Fraser decided to move against him.

Since Fraser has been Prime Minister, a total of six MPs have been pushed out or jumped from their ministerial offices. The latest, Queensland MP Eric Robinson, former Finance Minister, is the most intriguing political suicide.

Robinson is a rich man. He has a string of sports shops and other financial interests. He is also a political heavyweight, having been the president of the Queensland Liberal Party. He went into Federal politics because he wanted something to engage his talents and his energies. As Minister of Finance, he had a powerful position — not as powerful as his New Zealand counterpart, for there is also a Federal Treasurer. But, nevertheless, it was a job which took him to the heart of policy questions, and power to decide how they were to be answered.

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THE AUSTRALIANS

quoted as saying: "I'm not serving under that bastard any longer." The ABC and the commercial radio stations picked up the story of his resignation. Later that night it became official, when Fraser read out a short statement in the House. The Labor Opposition tried to mount a debate on the resignation, but this was gagged and the House recessed for the evening.

Journalists tried to find out what had made Robinson take such drastic action. The former Minister was tight-lipped. "Ask the Prime Minister," he replied. The Prime Minister was similarly secretive. "I doubt," he said, "if the real reason will ever come out."

Just as power abhors a vacuum, so do journalists abhor virtual "no comments". In the best traditions of the profession, they attempted to fill in the empty spaces between the words. The most favoured explanation was that Fraser and Robinson had fallen out over a decision by Fraser to let the Queensland National Party (the former Country Party) run on the same Senate ticket as the Liberals. Only students of the more arcane aspects of the Australian political scene will want to know the political ramifications of this; suffice to say, it was not what Queensland Liberals wanted. Most of them fear and dislike Premier Joh Bjelke-Petersen as much as Labor supporters.

Other explanations were that Robinson was annoyed at the way the Prime Minister rejected an election promise and refused to allow six-monthly indexation of pensions. Still more explanations involved the alleged disgust of Robinson with Malcolm Fraser's style of leadership. On his resignation, Robinson wrote a three-page letter to the Prime Minister explaining his action. In the Westminster tradition, the letter should have been read out to the House, along with the Prime Minister's reply. Politicians are servants of their parties, their constituents and their leaders — but also of Parliament. An action as extreme as resigning should be dignified by a careful explanation.

The journalists in Canberra became frantic when, three days after his resignation, Robinson re-signaled. He had had a two-hour meeting with Fraser in Melbourne on the Sunday morning, and the two men decided that they could live together.

Again, only the shortest of press statements were issued. The media were forced to fall back on speculation over the volte-face. Most pundits decided that Robinson had won a significant victory, and that Fraser had backed down on whatever demands Robinson had made of him.

While this may be true, it is probably not the whole truth. Fraser has a way of getting what he wants. The defection of Robinson, because he was a numbers man, was damaging to him. Now Robinson is back

in the Cabinet again. No one in the Australian media seems to have realised that this puts him in a weaker position than he was before. As Lady Brecknell said, to lose a handbag (twice) is more than mere carelessness. And so is resigning twice. There is a law of diminishing returns in matters like this, and Robinson has probably shot his bolt if he wants to do it again. The media will not make much of the story.

In this respect, Fraser has emerged from the potential crisis better than anyone could have imagined when Robinson dropped his initial bombshell — that is, in terms of party politics. But on the national political level, perhaps not so well.

He was going to take politics off the front page, he promised the public. Alas, like most politicians' promises, it has not been carried out. The Fraser administration in its way has been every bit as controversial as the Whitlam administration.



MALCOLM FRASER ... has topped many politicians.

It replaced. Politics haven't left the front page since the Fraser administration came to power, even though the Prime Minister rarely has press conferences, has no wit or turn of phrase as Whitlam had, and the Liberals have traditionally been less willing to wash their dirty party linen in public as Labor always does.

There is no doubt that Fraser will ride this storm, as he has all the others in his tempestuous political career.

There is no one who could replace him, or who would be willing to replace him. The most likely contender, Andrew Peacock, is getting more headlines for his supposed courtship of Shirley MacLaine (she says he is the only person she knows who has a Guel toothbrush) than for any political successes. No doubt Peacock will one day be Prime Minister: he is still in his 30s, so something like two decades is about the time-scale he should be looking at.

Nor has this incident affected Fraser's public standing. The opinion polls show him scoring relatively low in public appeal. But this has always been the case. Fraser has never been a lovable man. He preaches the doctrine of blood, tears and sweat — and the public accepts this from him, despite his rich grazer background. He is a dour, long-faced man, whose only memorable words were: "Life was not meant to be easy." Yet he has a commanding presence, something to do with



ERIC ROBINSON ... un-resigned after three days.

his height (like De Gaulle he was a very tall man) and his total belief in the rightness of his actions.

This arrogance has been reinforced lately. Only Fraser, against all the advice of his intelligence experts and in face of criticism from the media, predicted that China would invade Vietnam.

When you are right on a big issue like this, the matter of a small local difficulty like the Robinson affair peters into insignificance.

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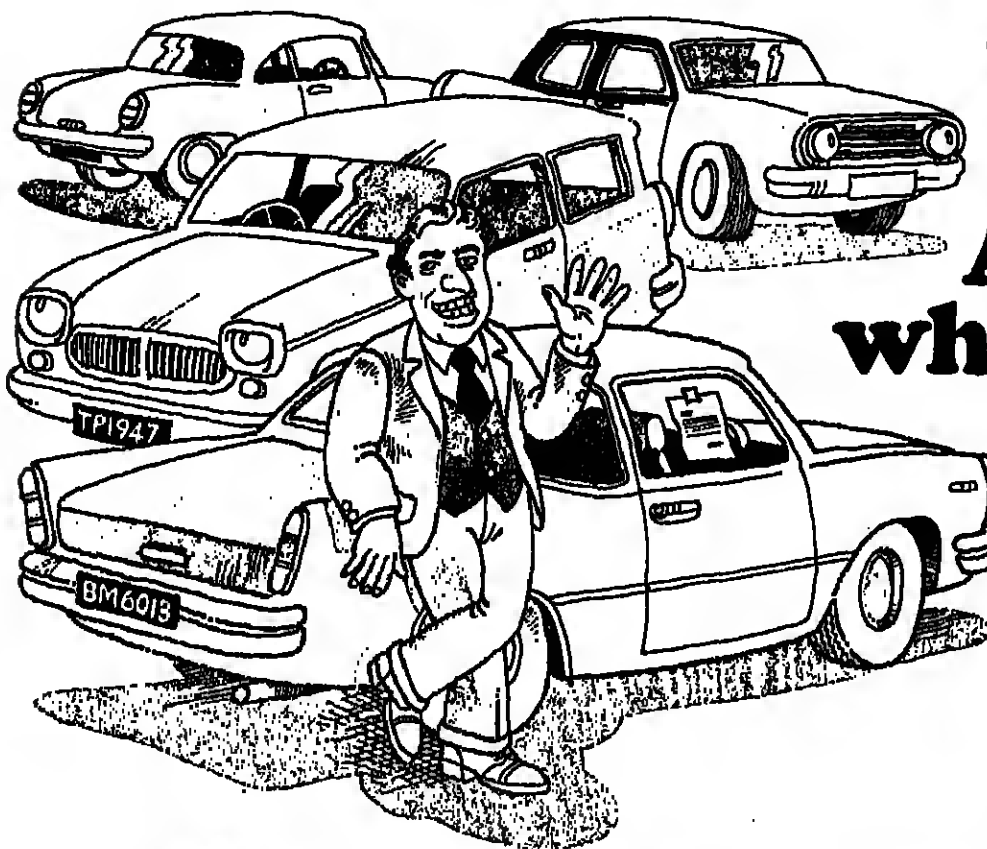
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Psyching the smokers

ACADEMICS are not popularly supposed to be practical, let alone commercial, people. But this concept is in the process of being shattered by three behavioural psychologists from Otago who are making marketing history. Having developed and proved a programme designed to help smokers quit the habit, they have set up an organisation and are now advertising and selling the idea in the marketplace. Further, they are moving into export markets, beginning with Australia.

They compose the

directorates of the false Rasmussen Centre which has launched the false smoking cessation programme on the New Zealand market. Dr David Marks, a senior lecturer in psychology, received his doctorate in experimental psychology at the University of Sheffield. Paul Sulzberger, the educational director, graduated at Victoria University and attended Moscow State University for two years. Ian Hodgson, research director, is an Otago graduate in both biochemistry and psychology. All are ex-smokers.

In 1978, an evaluation of the experimental programme conducted with a total of 479 people showed that 82 per cent kicked the smoking habit completely, and the remainder



reduced their consumption to a much lower level.

A total of 33 course directors, principally psychologists, have now been trained to conduct the false programme — there are seven in Auckland, three in

Wellington, for example — and most cities are now covered.

New courses, with about 20 persons in each group, start each week in every area, and already well over 2000 people have participated. Inquiries are instigated by advertising and national magazines, and daily press are carrying the fairly low-key message in a campaign handled by Iloft. Business is reported to be brisk.

One of the marketing developments is setting up groups within business houses. Employers see considerable benefits in eliminating or reducing smoking levels of employees, in addition to the obvious one of countering the risks of smoking-related diseases.

Childrens' magazine

"AT LAST — a magazine for children," says the bright red and yellow rata card. And no doubt, that's pretty much what many New Zealand youngsters will say when Jabbarwocky comes out on May 1, because, regardless of how good it is, the magazine must go some way toward filling a total void in the junior market.

Jabbarwocky will initially be aimed at eight to 14-year-olds, but if successful a colour section might be added for younger children.

The magazine is the product of two years' research by editor-publisher Jo Noble and will be a monthly with a minimum of 32 pages and a

cover price of 75 cents. Initially the print run will be 5000 with distribution through book shops and subscription but Noble is confident this should grow to 10,000 by August.

Ultimately, she expects at least 60 per cent of its editorial content to come from paid contributions by children.

Dorothy Butler will contribute a regular column on what is new in paperbacks, while Diana Moorhead will run a series on the handling of imagery in kids books — the inevitable wizards, witches, dragons etc.

"I have absolutely no doubt that the magazine will work. The kids I have spoken to are very excited about having a local magazine," says Noble.

All should be forgiven: National Party needs Muldoon

by Jeff Gamlin

PRIME Minister Rob Muldoon's drastic change in profile with a virtual disappearance from public sight results from the belief held in powerful quarters of the National party that his performance was responsible for the party's near defeat at the polls.

This implies that Muldoon is far from being seen as a trump card by his party and is now viewed as a potential liability to National. If this is the main lesson to emerge from the election, then Muldoon's future, and very likely that of his party, is bleak indeed. But if this is a superficial reading of the result and Muldoon was an important factor in saving National from what otherwise was probable defeat, then the familiar Muldoon style should continue to play a central role in the political scene for some time.

An examination of the developments through 1978 shows that the idea that Muldoon brought his party to near defeat does the man an injustice. In the first place, this view is based on the assumption that throughout 1978 National was cruising to a victory, but one which almost became unstuck during the final campaign period when Muldoon, most certainly, did perform badly.

But rather than conclude that what happened during the campaign was the most decisive factor shaping the eventual election result, we should ask why National was in the position of appearing to be cruising to an easy victory in the first place.

It seems more plausible to believe that the factors which led to National's clear dominance through to November and which saw

Labour enter the campaign in a near impossible position had a greater overall bearing on the election result.

In particular, we should ask how National was able to achieve this domination when the circumstances it was confronted with should have left it far behind in public popularity. With drastically falling standards of living and unpopular social and industrial policies, one would have thought that National would have been reaping a bitter harvest throughout 1978.

Indeed, the final poll results indicated the potential for this, with the swing from National to Labour and Social Credit combined significantly outweighing even that of the inter-party swing in the 1975 landslide.

That Social Credit rather than Labour benefited from this swing is itself an indicator of one of the reasons why National was able to maintain itself well ahead of its principal opponent, Social Credit's dramatic by-election victory in Rangitikei and Beetham's presence in Parliament crucially affected Labour's prospects, as it was robbed of the opportunity to claim that it was the only viable alternative to National.

If the splitting of the anti-National vote, (Labour and Social Credit combined gained 56 per cent of the vote in the election to National's 39 per cent) arose from rather fortuitous circumstances for National, the manner in which Muldoon pressed home his attacks against a Labour Party struggling to re-establish itself as the principal adversary, was most certainly not.

At a time when the country should have been filled with Labour Party attacks on the emerging mountain of

problems faced by National, Muldoon was here, there and everywhere forestalling them and making the credibility of Labour itself the dominant issue.

The third factor behind National's dominance was the inability of Labour to break out of the virtual straightjacket Muldoon had imposed on it. Labour was unable to establish itself as a credible alternative primarily because it failed to carry out consistently and effectively an opposition party's role: to oppose, expose and criticise.

It failed to utilise the many opportunities it had to open up issues in the way Muldoon was able to develop in 1975, from the relatively narrow point as overruns borrowing, a general assault on Labour's credibility. Failing in this, Labour attempted to take the initiative through policy proposals, but all too often this meant that it was Labour's actions that were the centre of attention rather than National's.

With National escaping all too lightly, Labour's initiatives failed, as the party did not have a sufficient basis of credibility relative to their opponent's from which such hopes for winners as the tax reform programme could be taken seriously.

National, therefore, approached the run to elections to a virtually unchallengeable position. As every opinion poll throughout the period indicated, National achieved this position at a time when one would have expected the boot to be on the other foot, but not for any significant positive reason that could be derived from the performance of the party as a whole.

National achieved this through good fortune — the splitting of the opposition vote subsequent to the rise of Social Credit; through the weaknesses and mistakes of Labour; and through the efforts made on its behalf by Muldoon.

At the start of the campaign proper, National was already ahead and Labour lacked a substantial base from which it could mount a late victory rally. That Labour eventually almost pulled off a miracle, while spectacular, was not in itself the main lesson to be derived from the result.

What occurred primarily resulted from the peculiarities of the campaign itself rather than from a basic which could make itself felt in the wider and ongoing nature of politics. To put it bluntly, while Muldoon is a successful political strategist — and manager at most times, he is a bad campaigner at election time.

The shrewd visible presence he establishes with the public to successfully

express his views and to squash those of his opponents becomes far too over exposed to the hurly-burly of campaign time, filling the TV screens nightly with blood and guts.

On the other hand, Rowling's low profile expanded nicely to fit the circumstances, with him taking advantage of the opportunities afforded by equal media time to be re-familiarised with voters who had virtually written him off and to pleasantly surprise them as a firm yet reasonable man.

This comparison will not necessarily start a new era in politics as it required the particular conditions of an election campaign for Rowling to achieve what his party had failed to do previously. It was also bad strategy for National to believe that it election time more of Rob at a louder

volume would successfully do the job.

Outside of the peculiarities of a campaign it is a completely different ball game. Labour for the next two and a half years will be back with the problems traditionally faced by a party in opposition in its attempts to be heard. Muldoon as Prime Minister will again be in a position to manipulate and dominate political events.

It is therefore ironic that National now seems intent on circumscribing what should remain their chief political weapon — Muldoon.

This was by far the major contribution to setting the scene for the National Party victory. It would be foolish for the party to suppose that the other decisive factor — the upsurge of Social Credit and



ROB MULDOON ... chief political weapon.

the weakness of Labour — will necessarily continue. Already, the virtual disappearance of Muldoon from view has led to a news hungry media giving Rowling and his party much more coverage than would otherwise have been accorded.



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Rivals respond to performance boosted 4300

by Stephen Ball

RELEASE of the IBM 4300 has brought quick responses from major rivals. Intel and Burroughs, and much speculation as to the future direction of the IBM machines. The 4301 and 4341 brought nothing like the drastic innovations of IBM's last major release, the System-38 (NBR, December 6, 1978). This time the emphasis has been on performance boost and complete 370 compatibility. IBM thus increases its chances of keeping the user with a heavy investment in software developed for his 370. IBM must still combat the "plug compatible" manufacturers, like Intel, which are already offering 370 compatibility and higher performance for the same cost. Initially, it appears to have done this effectively. Intel's response, frankly, doesn't look so hot. Users had been expecting a price-performance boost from IBM, but some were still clearly surprised by what they got — up to four times the performance of similarly

priced 370s.

Intel, in the person of NZ marketing manager John Nightingale, insists that the 4300 series came, in price performance terms, right where Intel expected it. Its answer — the Advanced System 3 Model 5 — gives, however, about 1.2 times the throughput of the 4341, at a price rather more than 1.2 times IBM's offering. Some users are already branding it as a less than effective competitor.

Intel does though, claim advantages in two areas where IBM has traditionally been considered weak — software costs and delivery times. The 4300 release brought with it new software pricing policies, which raise the cost of a workable combination of software. There is now very little left in the category of system control programmes which the user gets free of charge. Intel points out that it supplies much more of the software gratis.

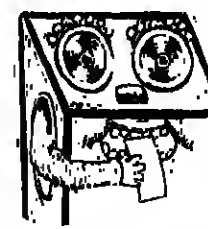
In the delivery area, Intel seems to have a big advantage. Nightingale is talking

about 60-day delivery times, while aspiring 4300 users do not expect to get their hardware until late this year, or even next. There may be a competitive edge for Intel in approaching users who have an urgent requirement for an upgrade.

One major difference is in software support. IBM is not supporting its big-machine operating system, MVS on the current 4300s. Intel will provide MVS support. This, said Nightingale, is due largely to the greater power of the AS/38. The machine is powerful enough, he contends, to attract users who will require MVS.

Intel may therefore win out with some of the larger users. At the 4331 and 4341, it has no new machine to meet IBM, and it is unclear whether any are being considered. Nightingale said he had had "no information" yet, with regard to release of further Intel models of this scale.

Burroughs, while not having the advantage of compatibility, seems to have judged the price-performance



COMPUTERS

situation more accurately. Its B2900 (not to be confused with the ICL 2900), on United States prices, is slightly more expensive than the 4331, but claims to make up for it in power. The 3900 roughly parallels the 4341 performance, and is slightly cheaper. Burroughs, moreover, claims that its new software pricing policies actually decrease the cost of the software. The strategy is to market the software in fixed packages, at a price as little as half that of the equivalent

separately-priced items on Burroughs' 600 series.

Most users will obviously be buying software they don't immediately need, but Burroughs hopes thereby to encourage them to expand their system to use the extra programmes. The 2900 and 3900 — presumably the beginning of a broad-ranging 900 series — incorporate a parallel processing architecture new to Burroughs, and dubbed "micro-modular concurrent" architecture.

Functions such as overall control, memory control, memory access, I/O and data buffering are farmed out to separate small processors, which operate simultaneously.

In logic chip construction, Burroughs has, for a long time, exceeded IBM's vaunted 704-gate chips. The chips incorporated in the new machines, and some of the earlier models, carry 800 gates. In memory, though, Burroughs is still using 10 Kbit chips, as against IBM's 64 Kbits.

A question which must be in many users' minds following the 4300 release is, where does the series go now? Predictions are that IBM will make its next announcement toward mid-year. This could bring an intermediate model — the 4338 and a very powerful 4348, with double the throughput of the 4341.

But reports are already circulating that IBM's production and support resources may be too stretched to produce the larger machine.

Another focus of attention is the 3800 storage control unit, which is required to attach discs — even old discs — to the 4300 machines. This could have considerably more intelligence than is immediately evident, and may, in the future, emerge as a "back-end" database unit, holding database management software, probably of the relational type already released on the System-38, and handling all database requests in parallel with the main processing.

DP slowdown hits IBM

THE dip in IBM's New Zealand profits for 1977 has, as predicted, proved temporary. Publication of the 1978 financial results earlier this month shows, however, that a slowdown in outright sales of DP equipment is still holding profits down.

Figures for the last three years show an after-tax profit of \$3.3 million, \$2.8 million and \$3.1 million respectively. A recovery from the 1977 dip, but hardly a complete one.

"The decline in profit", financial controller David Bate acknowledged, "is primarily attributable to a lower contribution from DP equipment outright sales in the total revenue." If such outright sales were excluded from the figures, he added, the company's other businesses would show profits growing faster than costs over the same period.

The falling proportion of outright sales as compared to rental has been worrying IBM worldwide, as evidenced by chairman Frank Cary's comments in the 1977 annual report.

Biggest contributing factor, said Bate, was the "position in the product cycle". IBM's 370 machines are now an old line, and with the prospect of the new "Series E" held in front of them for over a year, customers obviously felt less

inclined to make a long-term investment in 370 equipment.

This being so, the release of the first members of the "E series", the 4331 and 4341, should allow outright sales



BASIL LOGAN ... normalisation and not a disturbing trend

figures to pick up. It will be interesting to see how much this is reflected in the 1979 figures.

New Zealand managing director Basil Logan added that earlier in the decade, concern about the economic future had precipitated an artificially high level of purchases. The 1977 and 1978 decreases were, to some extent, a normalisation, rather than a disturbing trend. The 1977 dip was largely due to non-recurring expenses.

CD makes surprise win

IN A decision which has surprised contract contenders, the Government has provisionally given the work for its Aviation Fixed Telecommunications Network to Control Data — almost the only major mainframe supplier whose hardware is not already used in a Government installation.

A "letter of commitment" has been sent to CD, said Transport Ministry spokesmen, but order details must still be ironed out. It is clear, though, that CD will be supplying its own equipment, not used IBM machines, like those supplied to Databank.

On the face of it, used IBM machines would have been a less controversial choice, since the network will interface with the IBM 370-168 at the Government's Cumberland

computer centre.

In this interface lies the real interest of the AFTN project. The State Services Commission has made no secret of the fact that AFTN will be used as a testbed for the implementation of a major network centred on the Cumberland machines, when the need for such a network becomes evident.

CD is now obviously well-placed to get the big network contract.

The choice of supplier is a surprising one, not well established in this country, and does not make terminals. Most observers were expecting a complete package deal for the network. CD will supply the communications processors, but the terminals will be the subject of a separate tender.

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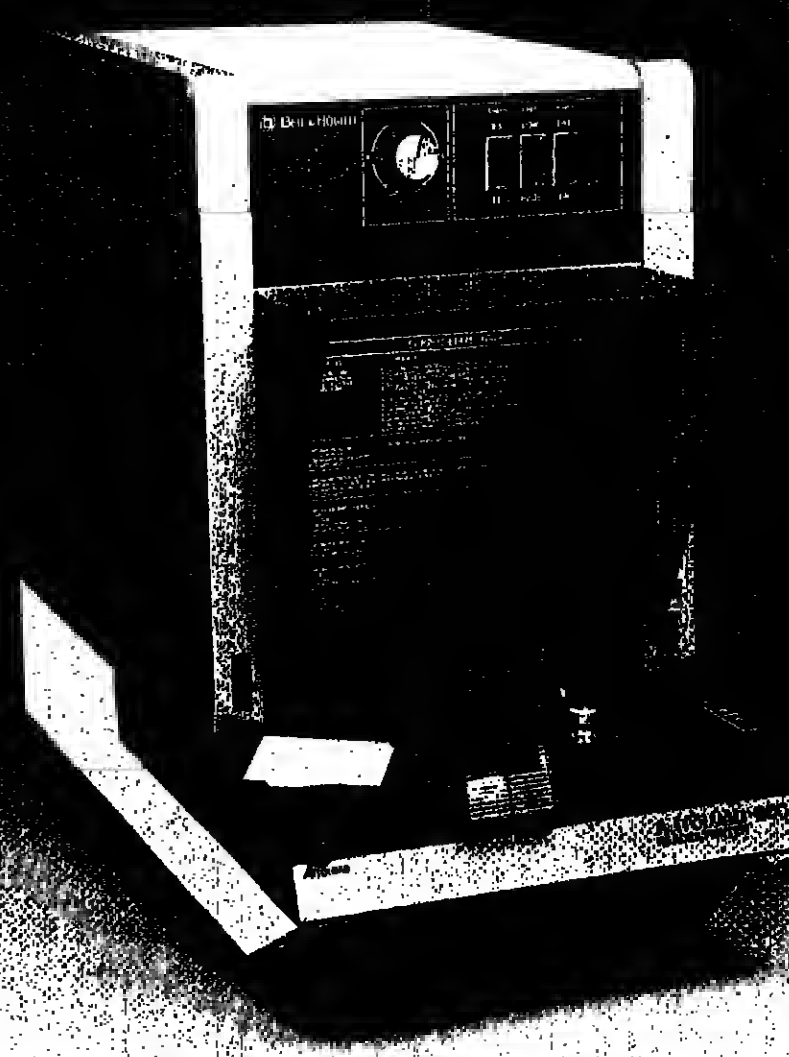
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Fuel crisis pushes Government back into providing incentives to boost oil search

Christchurch
Correspondent

IT HAS become painfully obvious that this country's petrol pumps are utterly dependent on foreign supplies of crude oil reaching the Marsden Point refinery. The new oil crisis has struck New Zealand more severely than any other member of the International Energy Agency...because we have no oil-fields of any size.

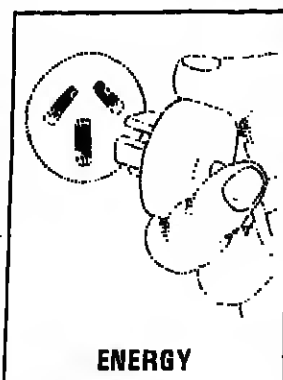
At least none so far discovered. Condensate from such fields as Kapuni and, from mid-year, Maui will help to ease the strain but in terms of sheer dependency on foreign

supplies now stretched to the limit, we are tragically vulnerable.

After the oil crisis brought by the 1973 quadrupling of oil prices by members of the Organisation of Petroleum Exporting Countries there seemed to be a curious mixture of policies here.

While trying to offset the impact wreaked by the OPEC cartel there was also a tendency to emulate the oil producing nations.

Around the world it became fashionable to act with suspicion of all traditional sources and conduits of crude oil including the International oil companies which supply



the West. The State intruded into the area of exploration, anxious to stake out the people's inherent right to the

best possible participation in any discovery of a suddenly precious commodity. OPEC awakened in the West a new sense of ownership of natural resources.

The door could never be as wide open as it was in 1970 when the first new public company for oil exploration in many years - L and M Oil NZ Ltd - was the darling of the sharemarket.

About that time, the American explorer Hunt International Petroleum Company was undertaking a vast seismic survey of the southern seas below Invercargill having arrived here with an enviable record of

finding oil-fields after prodigious research. Hunt was to become increasingly nervous about Government's persistent alteration of the terms under which it had commenced its New Zealand exploration programme and eventually the severity of tax stopped the Sea Hunt consortium from further financial involvement in the highly prospective Great South Basin.

The new State company Petrocorp NZ completed the programme and Hunt itself finished up two months ago with their resident New Zealand manager, John Totum, a straight-talking

Texan, making it clear that were withdrawing with their rig, the Petrocorp built in Singapore to search.

"We spent \$50 million here without achieving what we set out to achieve. We're frustrated in these efforts," Government action.

Petrocorp 74 is now working the region north of Auckland. Hunt had worked in the region under six million dollars responsibility for exploration. The newest incumbent, Birch, hasn't lost hope of a Sea Hunt return. He points out that the Hunt licence is a southern offshore zone, intact and that further legislation fixing the terms of exploration will offer work incentives for work in water.

The Government's Great South Basin hydrocarbon potential is clearly seen to work resume there with laws containing provisions offsetting the difficulty of expense involved in drilling the frontiers of oil technology.

For oil explorers the colossal daily operating cost especially where giant submersible rigs are concerned, the wait for a promised exploration bill has been too long.

Block in June 1978 Energy Minister George Gair said was hopeful the signing of French company Agip's terms for the North Taranaki well would herald further exploration agreements.

Ironically both BP and Shell are partners in the proposed exploration programme at the "Structure S" location far offshore Kawhia, north of the Maui natural gas field. BP was impressed enough to change its mind about seeking a share of the action at "Structure S" where it is believed a new field close to Auckland is worth looking for. If the terms are satisfactory, other partners will be Shell US and Todd Petroleum.

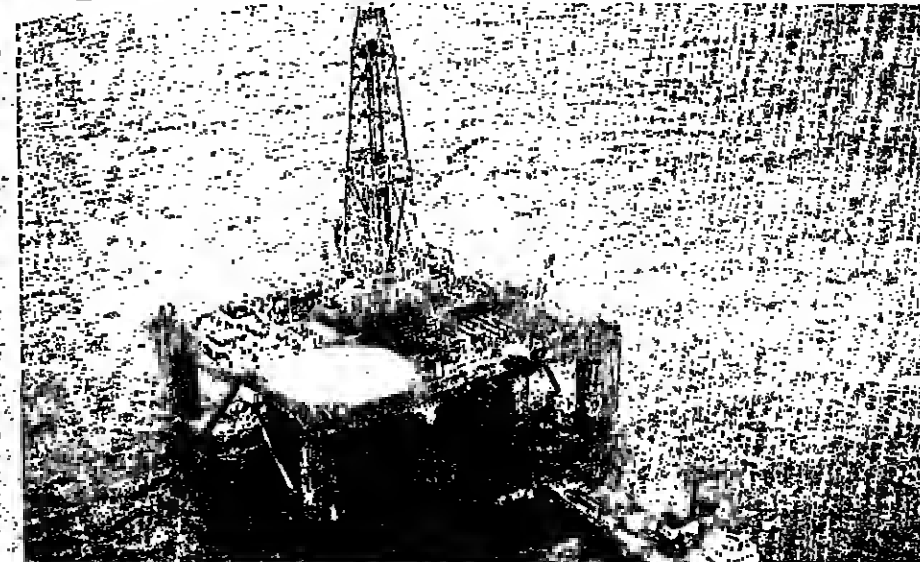
It would be the first well in which the Houston-based Shell subsidiary has participated here.

Todd Petroleum has been a longstanding partner in wells drilled by Shell-BP-Todd on the West Coast and BP-Shell-Todd on the East Coast. It has adopted a firm attitude to what it considers sometimes excessive State interference and the Wellington-based private firm is a key participant in any oil talks.

There have been very few sessions to recent months work describing as "talks". State officials appear completely preoccupied with the Iranian crisis.

Bill Birch: "I want to get the rules in place as quickly as possible. They will be acceptable and compare favourably with rules overseas."

"We will get a framework in which they can work." The Minister admits he has been directing his own energy to the question of alternative liquid fuels which he sees as likely to have a more certain outcome than speculative oil exploration. He is justifiably optimistic about the prospect of Maui natural gas providing substitutes for oil. "Add the potential of lignite coal and



DRILLING RIGS... New Zealand's alternative to foreign dependence.

Petrocorp has announced that it is unable to fulfil 45 per cent of its contracts and Shell has declared a similar "force majeure" of 15 per cent. Third party orders have been the first to suffer and the companies have been attempting to avoid the exorbitant prices of the "spot market".

BP's bid for a share of the trickles of Iranian oil which has started to flow from the revolutionary Islamic-controlled Targ Island terminal was rejected by Iran as too low in early March. The company usually supplies about one-third of the New Zealand requirement of 100,000 barrels a day.

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work on bio-mass and energy farming and you begin to see an exciting picture of future liquid fuel exports."

Yet he concedes it would be "very advantageous" for an oil strike to be made.

Hopes for that are not completely non-existent. If agreement can be reached on terms for "Structure S" - which may become eligible for new deep water incentives - a rig could return next summer.

Aquitaine - the operators for the licence area in which L and M Oil participates - held a meeting at North Sydney last Friday to assess the results from North Tasman I.

North Tasman 1 was considered one of the top prospects for an oil strike. It was drilled in 85 metres of water just across the fence from the Maui 4 well which found 6000 bbl of oil and wet gas in 1970. Maui 4 was not large enough to be commercial but North Tasman was believed to be an extension of the Maui 4 structure and potentially much bigger. A licence for one year was taken out for half the former Tasman Bay licence.

On the 3540 sq km licence area a royalty rate of 12 1/2 per cent on any production was set. This was a 2 1/2 per cent lift on the old offshore rate and may not be acceptable to other explorers who do not possess Aquitaine's French tax structure.

L & M had a direct stake for the first time in a Tasman Bay consortium, contributing 7 1/2 per cent to the cost of North Tasman 1. In return it would have received a 3 1/2 per cent interest in any commercial development. This participation was in addition to retention of an over-riding royalty interest of 5 per cent by Tasman Petroleum. L & M has a 25 per cent holding in Tasman and thus received a potential 1.25 per cent royalty interest.

That was lower than the benefits available to L & M in earlier wells but it was based on parity with world oil prices and greater than was the case in ultimate return.

Other partners in North Tasman were Petrocorp (51 per cent), Roma Oil Canada, Odeco US, Murphy US and Beach Australia.

L & M had already been involved in Cook I, Freness I, Tasman 1 and Surville I. North Tasman 1 was also dry.

Since the interest in that well, which saw the sharemarket price of L & M spurt to 60-70c, the share price has ebbed to below 30c. Chances of a revival hinge on future drilling. Aquitaine is

known to be well involved in the flourishing Australian oil search with work underway in the Timor Sea, Cooper Basin and Bonaparte Gulf. Technical data from North Tasman before last week's operator's meeting is only part of the key...the attitude of New Zealand officials will be important.

Partners in another offshore well proposed by another listed explorer here, NZ Petroleum Company, have yet to be revealed. Longstanding partner Triton Oil of Dallas will be one participant.

The proposed well is about 50 kilometres off the coast of South Westland in the vicinity of Harihari. Onshore work suggests that a prospective oilfield may lie out to sea and considerable sums have been spent on offshore preparation. NZ Petroleum has a long history of involvement in the oil search with 15 onshore oil wells.

New Zealand's only oil well this year has been the Toko 1 onshore well being drilled by Petrocorp.

L & M has long hoped for an opportunity to apply for new licences in the Taranaki region via its interest in Radius Oil but the company was disturbed by what it sees as the State's approval for Petrocorp's widespread licences. Petrocorp were viewed in Government quarters as filling a vacuum the private explorers were loath to occupy and in keeping exploration going.

The new oil crisis should logically shift the balance back towards provision of incentives to get the oil search really going.

Australia, for all its 70 per cent self-sufficiency in oil, has stepped up its oil search in its awareness that by 1985 it will only be 50 per cent self-sufficient on current reserves. March has witnessed the spudding in of the Esso-BHP programme on the highly prospective Exmouth Plateau offshore West Australia. An impressive 85 wells are scheduled to be drilled in

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Australia this year in one of the most intense periods of exploration this decade. New Zealand oilmen believe the altered circumstances of the world supply situation should force Wellington to wage the state clean and start a serious effort to find indigenous oil resources.

When New York-based International Political Surveys Inc this month supplied its subscribers with an 18 month projection of political economic and social risks in 80 countries it describes New Zealand as one of the safest countries in the world for foreign investment.

That would have brought a cynical smile in the offices of many oilmen.

But if world oil prices start leaping toward "spot market" levels of \$20-\$22 a barrel, some of the licence areas around New Zealand begin to look more economic to develop and a realistic reconciliation of State and private explorer may just be salvageable.

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